

Interview with Erland Heginbotham

Association for Diplomatic Studies and Training Foreign Affairs Oral History Project

ERLAND HEGINBOTHAM

Interviewed by: Charles Stuart Kennedy

Initial interview date: October 3, 1996

Copyright 2001 ADST

[Note: This interview has not been edited by Mr. Heginbotham.]

Q: To begin this, could you tell me a bit about when and where you were born and about your family?

HEGINBOTHAM: I was born in Salt Lake City, Utah. My father was likewise born in Salt Lake. My mother was from Colorado. He is a metallurgical engineer. I am not certain that he ever completed college. But he was certainly very well self-educated as an engineer. My grandfather was a county auditor for the county of Salt Lake City by invitation of an early governor of Utah from where he had been living with my grandmother. So we had fairly deep roots in Salt Lake but non-Mormon. So we were part of the small minority of non-Mormons who then became the majority during World War II.

Q: *And you were born when?*

HEGINBOTHAM: In 1931.

Q: *So you had schooling before the war?*

Library of Congress

HEGINBOTHAM: Yes.

Q: Being a non-Mormon or a “gentile”—I guess was the term.

HEGINBOTHAM: Exactly. I was going to use that same word.

Q: Could you talk a little bit about being a non-Mormon?

HEGINBOTHAM: Yes. I guess I came out something of a highbrid. We were Presbyterians . We had to go all the way across town to church. I lived in a predominantly Mormon community. My closest friends were fascinating Mormon kids. So I became fairly active in the local ward on sort of a non-religious basis. I found everything about the Mormon lifestyle attractive—their focus on the family, their morality, their concern about physical well being; their social welfare system— supporting people who were unfortunate or underprivileged in some way. I found it very difficult to find any reason for wanting to accept the theology. So I found it quite irrational for me. I was always sort of a distant observer but I picked up certain habits. One was a very strong family devotion. And the second was that I neither drank or smoked.

Q: You are drinking Coca Cola which has caffeine in it.

HEGINBOTHAM: Quite shocking! That is my one and only occasional vice in that category. that I cultivate. So I was very interested in the church and its conservative politics although I didn't realize it until I went to Stanford.

Q: I am not too familiar with the Mormons. If you don't join thMormon church are you then damned to hell or something like that?

HEGINBOTHAM: You are just not saved. I am not quite sure exactly what happens to you. One of the more intriguing and difficult bits of theology is that the true word was taken from

Library of Congress

the earth and that no one that lived in the period not too long after Christ saved unless member when the word was restored with the golden tablets

Q: The 1820's.

HEGINBOTHAM: 1830's. This restored the true word. So you had to go back and baptize for your relatives as far back as you could trace them. Thus the sort of intense interest in genealogy and the outstanding records they have.

Q: You were at an age when you might be dating. Was this a problem?

HEGINBOTHAM: Not at all. I had a very close and dear female friend whom I dated and with whom I have retained close relations.

Q: Although you were about as far away from as one could almost get, did you have any feel for World War II ? It is often is one of the major experiences of people of our generation who then ended up dealing with foreign affairs.

HEGINBOTHAM: Yes. Absolutely. I followed World War II from 1939 when I would have been eight. When Hitler moved into Poland, that was one of the first specific political memories I have. We followed that on the radio. We followed that in the papers. It was a very engaging aspect of life. Furthermore, of course, we became subject to the usual rationing coupons and to all the restrictions that came along with it. So the war effected us.

Q: Did you get much in the way of international affairs in high school?

HEGINBOTHAM: One of the first confessions that I am going to have to make to you is that I have an appalling memory for a number of personal experiences. My memory tends to be much more selective than I would like it to be. We had an international relations club in high school. I would have gone to Stanford at 15 had I gone through the system. Instead, I took an extra year in high school. I wanted to be a research scientist. And the extra year in high school allowed me to take debating and a number of classes that I

Library of Congress

hadn't been able to take in my previous routine course work. I got involved in the debate class which really changed my life in many ways because subject that year was "Resolved that there should be a world federal government." An absolutely ridiculous and absurd notion at the time. It just screamed in the face of reality. So my debate partner and I simply refused to debate the affirmative and developed a counter case revolving around economically congenial regions which we called "Ecodes" - a sort of confederations with common interest which then affiliated in a very collegiate kind of structure.

Q: Sort of different free trade zones?

HEGINBOTHAM: We didn't premise it on trade. We premised it on economic interests abroad and considered that those were dominant factors and features in international relationships.

Q: That was really a very sophisticated approach. What brought that about?

HEGINBOTHAM: I really don't know. I guess I was very intrigued by had the strong sense that economics were to be a factor in international conflicts. It just seemed to me to make a lot of sense. We developed a very elaborate case. I would have to go back to my papers to see how elaborate a sort of logic structure we had in mind. It was fun for me because later I saw and worked with an evolution of regional economic groupings. So it was kind of interesting. Furthermore, I became attracted to the outside world through National Geographic.

I might just add an amusing personal footnote. Among the people in the debate class was a guy who used to puff out his cheeks; he didn't have a great style, but was a very, very bright debater. We had a lot of fun teasing Steve who was one of the brighter guys. His full name is Steven Cubby of the "Seven Habit of Effective People." He is now President of Brigham Young University. So the debating team was an interesting little cross-section.

Q: Oh, yes.

Library of Congress

HEGINBOTHAM: So I spent the last high school year reading and debating and as a result of the debate class I became interested in the war.

Q: The Mormon Church put great emphasis on missionaries. Of course, for most of this time the world was at war, so that it would have been hard to place missionaries.

HEGINBOTHAM: I did attend, in high school, a kind of Sunday evening youth group which was Mormon. The leader was a very charismatic and very impressive and very rational, intellectual type who brought some of that missionary zeal iBut not whole lot. At that time the Mormons were focused on Northern Europe although we had a next door neighbor who had been in Australia and worked among the Aborigines, but that tended to be rare.

Q: *What attracted you towards Stanford?*

HEGINBOTHAM: An accident. My family was not at all well situated financially and I knew that if I wanted to go anywhere other than the University of Utah, it would have to be some special. I was interested in international relations. I was attracted to the notion of going to a better university Then came along the opportunity the Navy program in which you volunteered for the Navy in exchange for four year of paid college In that process I was forced to choose a college. I had very little worldly sophistication at that point and Stanford was far away. So I chose Stanford as my first choice. As it happened, I got measles and my eyesight deteriorated just about the time I was scheduled for the medical exam; I had passed the written and oral exams. So I didn't get into the Navy and didn't get that scholarship. But at that point my family decided that we would manage somehow. So I applied for scholarships to Stanford and worked a great deal while I was there.

Q: *You were at Stanford from when to when?*

HEGINBOTHAM: From 1949-1955 with intermittent periods abroad. went into the Class of 1949 and came out in the Class of 1955.

Library of Congress

Q: At Stanford, we are talking now about the post-War period. We were moving into the Cold War. In the first place, what type of courses were you taking and what was being taught ?

HEGINBOTHAM: The first year at Stanford was pretty rigorous in terms of requirements. There weren't a lot of options at that point. In any event, as a result of my debate class, I was very fascinated in all the world and that I was going to major in International Relations. I started out with a World Civilization course at Stanford which was a heavy course. The course was taught by a pretty liberal professor who took some considerable pleasure in my conservative viewpoint on Utah history. It was an incredible course although ethnocentric as all courses were at that point. I joined the International Relations club and that stimulated my interests. It included a number of politically oriented folks.

The course work was. a pretty sad nature, frankly. It consisted of the basic courses in political science, economics, geography, history; those were my main focus. I also took both French and Russian language courses.

Q: *You said you went overseas, too.*

HEGINBOTHAM: Yes. My parents, my Dad in particular, was very unhappy with the notion that any one who might to working for the federal government might also be interested in going overseas. For some reason he had this thing although when I was in my senior year, my father worked for the federal government working overseas. So despite any anxieties, he and my mother and brother went out to the South Pacific. Actually he went out initially for a private mining venture in New Caledonia. Since I was getting pretty straight A-pluses and A-minuses, he gave as my graduation present a trip around the world, so that I could visit them in New Caledonia. It turned out that my brother was getting zero schooling in New Caledonia so he and I went to France where we succeeded in getting him into a private school. And I succeeded in getting into "Institute de Politique" in Paris. We had a fabulous year traveling around.

Library of Congress

Q: This would be 1953.

HEGINBOTHAM: That was 1952-53.

Q: Was there a lot of debate about Vietnam at the time?

HEGINBOTHAM: No. At that time there was a lot going on in Algeria as well as problems in former French colonies. I took a good deal of economic geography which related to some of the French interests abroad. But the main preoccupation of the year was the Rosenberg case.

Q: Oh, yes. Could you explain what the Rosenberg case was?

HEGINBOTHAM: Julius and Ethel Rosenberg were accused of spying for the Soviet Union. They had been convicted of espionage and I think then there was a question of pardon. The French were infuriated by the whole affairs which they saw as being conducted with a "McCarthy mentality". So I learned a great deal more than I ever wanted to or ever planned to about the American judicial and political systems. This was a case which led me to learn more about my own country than I learned about France. I began to see comparisons and differences in many, many ways that I hadn't been aware of before.

Q: The Rosenbergs were executed. The fact that they were both Jewish raised all sorts of things.

HEGINBOTHAM: Terrible ramifications

Q: And it was, as you say, the height of the McCarthy period.

HEGINBOTHAM: The case had a profound effect. But I also discovered that not very many French had traveled by the early 1950s. They were still in a recovering economy. I went as far out of my way as possible to avoid Americans because I wanted to immerse myself in the French language and culture. But I found it very difficult to get to know

Library of Congress

French people. By far and away, my closest friends were all Germans where we had no common language; we exchanged linguistic discoveries and that was kind of an odd experience.

Q: After Paris, then you came back to Stanford?

HEGINBOTHAM: I came back for my senior year. The McCarthy influence was profound to me. I dropped my international relations major because it seemed to me to have little relevance for my future. I decided that if I were to get into the Foreign Service, I should be in a position that would make me so employable that I could in protest to any untoward pressures of any sort, and yet could at the same time be able to rebound and support a family.

Q: This was particularly brought about by it was the spirit of the times.

HEGINBOTHAM: Absolutely. Unethical behavior and the influence that McCarthy was perpetrating on the government. The China "group" had been devastated. I had to go into the Foreign Service with a willingness to turn around and walk out the door at any time. Which was not unlike a Foreign Service career today which lasts for a few years and then is subject to review by the officer to see whether he or she wants to continue for a lifetime.

Q: So you graduated in 1954. And then what did you do?

HEGINBOTHAM: I took the Foreign Service exam. In my senior year, I switched my major to economics. Since I only had had two economics courses before then, I had a lot of scrambling to do. I became very keenly interested in economics. I did sufficiently well that I was actually hired as a teaching assistant for the third quarter of my senior year - a job that is normally offered to graduate students with a lot more experience than I had had. I enjoyed that. I worked at the Stanford Research Institute. I decided that I would take the Foreign Service exam, but stay at Stanford. I started in on a graduate degree. I was going for a straight Ph.D. in economics in order to save time and money. But then I

Library of Congress

was accepted into the Foreign Service. I was also depressed by the mathematification and quantification of economics; it had lost all touch with reality as I saw it. So at that point I decided that I would bail out of academia and into real life.

Q: Let's talk a bit about when you took the Foreign Service exam. You took it in 1953 or 1954?

HEGINBOTHAM: 1953 I believe.

Q: Then you took the three and a half day exam?

HEGINBOTHAM: Yes!

Q: Then you took the oral exam?

HEGINBOTHAM: Yes. That was very interesting because the Department of State had stopped hiring for a couple of years. But by 1953, they were starting again and were just begun to hire. The Department had just set up traveling panels for the first time. But I was a kid in a hurry. I was very poor. I was literally working my way through Stanford. I had three jobs and I decided that I was going to take my own money and buy a ticket to Washington and not sit around waiting and wondering for the panels. I was going to get as far up in the queue as I could. I don't know why I was in such a hurry. But at the time, it seemed the right thing to do. It was and I fortunately passed.

Q: Oral exam. Can you remember any questions and how it was constituted?

HEGINBOTHAM: May I back up just a bit? The history to the Foreign Service was very interesting. Prior to the early 1950s, there was a very strong Ivy League bias in the employment practices of the Foreign Service. While Stanford was considered in the same academic standard as the Ivy Leagues, it did not have the right aura. But in the early

Library of Congress

1950s, the Department began to emphasize geographical diversity in its employment practices.

The prevailing view of the oral exam - whether myth or truth I don't know, was that the panel would go out of its way to find all kinds of ways of tripping you up. I didn't find it so. It seemed a pretty straight forward panel. I really remember almost nothing of the exam, except two questions which showed that they were looking for how much you learned from where I had been. They asked me specifically about New Caledonia and what kind of things it did and why it was important, and probed into the mineralization and exploitation - one thing and another. There was labor representative on the panel who wanted to find out if I was aware of or knew about a particular French laborer - quite obscure French laborer. I did happen to know about him and was able to give a fairly extensive comment. I guess those were the subjects that stood out as being out of the ordinary. The others I think are obscure to me now, because they were pretty much in line with what one might expect.

Q: So you were part of a massive infusion of "main street" into the Foreign Service.

HEGINBOTHAM: Yes. I have to say that I probably represented the non-Ivy League group. Whether there was any bias in the selection process or no, I cannot say, but it would be foolish for me to deny that I was part of that "new look" because I was certainly not Ivy League. I was never East before I came to Washington for the oral exam. That was interesting.

I had one other problem. Some people at Stanford they were furious at me for having passed the Foreign Service exam. Never had anybody gotten in who hadn't been either history or science major. I knew then that I would be a minority.

Q: When did you come in to the Foreign Service?

HEGINBOTHAM: I came in of September 22, 1955. There was a brief hiatus during which many came in members of the civil service and then were transferred to the Foreign

Library of Congress

Service after a period of a week I finished at Stanford. By happenstance I didn't have to pay my way back to the East Coast because I was in the Army Reserves and my summer duty was at the Pentagon. My introduction to the Washington bureaucracy was actually during my six weeks summer training at the Pentagon which was interesting.

Q: So you took what is now known as the A-100 course, a basic officers course. You must have been in class three, two or something like that. I was class one and I started in July of 1955.

HEGINBOTHAM: I suppose; I don't remember the number. I might just an odd footnote. Ours is the only entrance class in the Foreign Service which has had an annual reunion every single year without fail with all members present.

Q: Could you talk a bit about the members, the composition, and if you have any thoughts about maybe the outlook of the class from which the people came?

HEGINBOTHAM: We had an extremely diverse class. There was a Brooklyn school teacher who had never been out of Brooklyn, who later became an ambassador. There was a pretty good geographic mix - people from pretty much all over. A number of people were veterans. I was by a good margin the youngest in the class. Most of the class were people who had been waiting to take the exam earlier.

The average class age I think was 30 or possibly over. I was 22; so there was a big age spread. Those who were older who were up in their mid-'30s. By logic it was a very mature class of people with working experience, who had made sacrifices or made a long-term commitment to come into the Foreign Service. I think there was a high degree of commitment. I don't remember that there was any particular political leanings. There was one student who was a lot of fun who had been very active in the University of Chicago politics and that generated a lot of discussion about politics. As I look at our reunions I don't see that there's much change in that. We were a diverse political group.

Library of Congress

Q: What about the training? I assume Yen Attleman and Joe Mocklewere part of it?

HEGINBOTHAM: Yes, they were indeed exactly the two. I think it was good. It did what it needed to do. I quickly decided that I didn't never want to do counselor work. But, it introduced me to all the things that were going on. The course was better for some than for others. I was among the less fortunate who were assignment to the department as a result of Wristonization which prevented me from having the kind of rotational assignments that my colleagues who went overseas did. There were some opportunities in the course that I would have liked to do, but didn't get a chance. Overall, I found the A-100 course a very respectable one.

Q :You worked for the Department of Commerce at some stage. Did yoget any feel our commercial activities at the time?

HEGINBOTHAM: Not really. I have to confess to entered or developed in the Service a certain number of fairly strong negative prejudicious. Later in my career, I found that I had to work in some of these areas. Bul wasn't interested in the commercial function; the lectures on the subject were terribly boring. I was interested in the economic function, because I was much more attracted to economic analysis. It went to INR (Bureau of Intelligence and Research), but I didn't develop any very clear concept for my future.

Q: So, your first assignment, what happened?

HEGINBOTHAM: Well, as I have mentioned, the Wristonization process had began soon after I came to work in the Department.

Q: Explain what Wristonization was.

HEGINBOTHAM: Walter Wriston had recommended that the bifurcation of the Foreign Service and Domestic Service (or Civil Service) was unhealthy. He and his panel members thought that the people in INR and on the country desks who had never served overseas

Library of Congress

lacked prospective in breath and diversity. Therefore he felt that it was important to integrate these two services and bring some Foreign Service people in to serve in Washington as well as to get some of the Civil Service people out to the field. The department embarked for an extended period to implement the Wriston recommendations to give the people who had spent their whole careers in Washington opportunity to serve abroad as quickly as possible which meant that the number of positions overseas available to the regular Foreign Service were fewer - although the number of positions at home increased for FSOs.

I would suppose that more senior civil servants who had been Wristonized probably went to the more interesting assignments overseas, leaving the regular Foreign Service with a higher proportion of consular and other entry level assignments. As I mentioned, I was among those whose lot fell to be assigned to a departmental position. That assignment was in INR, which I was alright with me. I didn't know Washington, I didn't know much about the East Asia, so the assignment was quite alright with me.

Q: You were in INR from when to when?

HEGINBOTHAM: I was in INR from the end of 1955, basically 195 through 1958.

Q: What part of INR were you in?

HEGINBOTHAM: I was in East Asia, the East Asian Bureau and I was working with "unwristonized" and "unwashed" people who were very good and fascinating. It was great group to work with. A few Foreign Service people had come from East Asia. I was assigned to the economics branch and had a number interesting assignments. I concentrated on North Korea and on Korean fertilizer problem, which didn't seem like a great glamorous way to begin a career. Also worked on improving relations between the Koreans and the Japanese. Those were some of the things that worked on. .

Library of Congress

Q: And of course in a way, these things are still going on. North Korea is still a threat, a puzzle and a disaster all at the same time and the Koreans and Japanese still haven't reached an accommodation.

HEGINBOTHAM: Still fighting over islands.

Q: Still fighting over islands. There is a sort of mutual dislike based on century old problems. Could you describe a little about how people were looking at East Asia. I suppose one of the major issues during this time was whether China, the Tijuans Straits and all that. Even though it wasn't in your field, were you picking up how they people were looking at things? We had a rather hawkish administration, the Dallas Eisenhower Administration, particularly on China, the height of the China lobby and all that. Were you picking up the difference between the professionals and the politicians?

HEGINBOTHAM: What stands out in my memory are two main thrusts. One was the pre occupation with the Communist threat based on what was going on in China economically and also what was going on in North Korea economically. At that time, North Korea was far stronger than South Korea in economic terms and in other respects as well. When the peninsula was partitioned, the North inherited a lot of industrial capacity and energy leaving the South essentially an agricultural society. I should say that I was very much involved with or exposed to people who were working on China on the economics of the area.

On the political side what I remember mostly vividly were the pre occupations with Japanese politics. There was a lot more turmoil that there were labor problems. There were many riots and public demonstrations in Japan at that time. Possibly because the economic branches were compartmentalized, I didn't get very much involved in China; so I don't really recall any great debates going on on that, but there was a lot of pre-occupation about where Japan was going and how —

Library of Congress

Q: Before we move to Japan, what was the Korean fertilizer issue?

HEGINBOTHAM: We were close to the end of the Korean War. The South Korean economy was in total shambles. The one thing that mattered most was getting fertilizer to the Koreans so that the economy could get going again. By sheer accident, the first INR research study I did was on fertilizer.

Q: I served in Korea during the Korean War and if there is anything that stuck in one's mind came from how they fertilized the land, which was night soil, known as a honey pit. There were honey wagons and the smell was appalling. They were everywhere and when they weren't in a place they were being transported to a place. One certainly appreciates the fact that later they got regular fertilizer.

HEGINBOTHAM: It was hard to imagine that there was a shortage of fertilizer -

Q: What about Japan? What was the feeling about the Japanese economy at that time? Was it going anywhere; were we concerned?

HEGINBOTHAM: Most of the focus on Japan had to do with the occupation policies. I think a lot had to do with what was, how the demonopolization policies were being implemented and whether you were, in fact, beginning to see the resurrection of the *ibotzu* in new molds. As I recall, the Japanese had substantial balance of payment problems at that point.

Strangely, the politics stick out more in my mind; e.g., *Kishe* and the transition of politics and the labor strives. The labor problems were major - whether they were going to have enterprise unions or political unions or how that was going to be resolved. It seemed as though the labor movement could become a very disruptive and very contentious and troublesome force. There were many communists in the labor movement, there were actually some communists unions and of course, given our preoccupation with

Library of Congress

communism this was something that we were watching very closely. Those were the things that stand out in my memory.

Q: What about South Korea? Did we see any hope there?

HEGINBOTHAM: I will now have to sort of merge my observations, because at that time again, I was concentrating primarily on North Korea. What I was doing and spending vast amounts of time was on extrapolating percentage increases without any absolute base on which to go. So, the question was, is North Korea really developing industry at the rate it says and what does this really mean and what are these percentages actually telling us? Are there even scraps of evidence that one can build on? I was so involved in the North Korean thing that I didn't spend a lot of time on South Korea which was limping along in a pretty pathetic situation. The AID program was very large. The reliance on military support programs and things of that sort were pretty overwhelming in 1955 when the war had ended. Our contributions were mainly relief and reconstruction. One just didn't see any end in sight at for economic development in South Korea.

Q: What about this both from the A-100 course, INR, particularly A-100 course. Did you get any feel about John Foster Dulles as the Secretary of State and how he was viewed by the Foreign Service up to this point?

HEGINBOTHAM: I'm trying to reconstruct when I developed a very strong opinion about John Foster Dulles and it will be a little difficult. It will be very difficult for me to pinpoint exactly. All I know is that during that period when I was here in Washington, I begin to dread waking up in the morning and looking at the newspaper, because of the brinkmanship that this man was about to visit on some unsuspecting country or region.

Q: You might explain what brinkmanship is.

HEGINBOTHAM: Brinkmanship was basically threatening people that if they didn't tow the American line there would be all kinds of hell to pay. Of course, we had lots of levers at

Library of Congress

that point with AID programs and military programs and military forces and just all kinds of stuff going on.

I have to give you a little political aside. Early in Washington through purest accident, I happen to meet my bride-to-be whom I didn't marry until my first tour overseas ended. But, I became very active in her father's church, which happened to be National Presbyterian Church, which was attended by the President and by John Foster Dulles.

Q: He was an elder in the church?

HEGINBOTHAM: He was an elder in the church; the pastor was Eisenhower's chaplain in Battle of the Bulge and during much of World War II in Europe. It was a church that I have come fondly to call a the seat of the military-industrial complex, because it had a lot of connections with large money. Not that that reflects negatively, but that was my first real exposure to the conservative point of view and the mix of political and money.

Q: You say you came out of a very conservative state, you came out feeling conservative, you were lashed with these liberals at Stanford and all. By the time you got here you had quite a conservative secretary of state and a conservation administration. Did you have a different outlook or not?

HEGINBOTHAM: Yes. It would be somewhat hard to trace. I think I probably have a more liberal bias. I used to rebel at some of the stories my Dad told and some of his attitudes that I thought were just too sort of pro-private enterprise and pro-business companies. Even in Utah I developed some instincts in that direction. Then of course, in California a numbers of my friends were on the liberal side.

Q: Nixon was the vice president at that time?

HEGINBOTHAM: Yes, after the infamous Nixon debates with Helen GahageDouglas.

Library of Congress

Q: When he ran for Senate against her?

HEGINBOTHAM: Right. I had friends who felt very, very strongly about these things. I was still pretty a political naive by the time I got back to Washington. Then I began to, within the church, to become a sort of a young Turk. I gave increasing attention to the youth program and the young people and other social undertakings. I guess at that point I begin to become “politically involved” in what I guess you would have to describe a more liberal than conservative orientation.

Q: You left INR in 1958 and whither?

HEGINBOTHAM: That was an interesting story; it was my first learning on how to work the bureaucracy. I had enjoyed INR; I had learned a good deal and it was probably the beginning of the salvation of my writing skills, because I got a lot of heavy critique for my writing - which were well deserved and which proved to be invaluable. I took a course in writing. The exposure to and learning about Washington was all great stuff, but by the time two years had gone by I was wearing out. It was still very tough getting an acceptable assignment; so I started shopping around. I knew I wasn't going to get anything worthwhile from the State Department and so I started shopping around in AID (Agency for International Development). Low and behold, I found that there was a really great job opening up in the AID mission in Korea. I volunteered for the job and AID requested my assignment to Korea and that's how I escaped from Wristonization in Washington.

I went to Korea which was a bit of a trauma, because I was engaged at that point in time, but my wife who is six years younger was still finishing her degree and we didn't want to take her out of college, but anyway that was worked out. So I went to Korea.

Q: You worked there from 1958 till what?

HEGINBOTHAM: I was there from 1958 until 1960. I don't remember the months, but I suspect it was probably mid year. I had a fabulous job. While most of my colleagues were

Library of Congress

going to non-substantive, non-challenging, uninteresting work, I was assigned to the non-project branch of the AID mission. The AID program at that time was probably in the six or seven hundred million dollar range and of that about two hundred and fifty million dollars was granted to Korea as non-project AID - unspecified allocations for Korean and American agencies to use for bidding by Koreans for the purchase of essential commodities. Those commodities were paid for the foreign exchange rights; when they were sold in the local market, the proceeds in local currency in a loan or grant funds. These funds were called "counterpart funds" and were used to pay the local currency costs of projects which also had some dollar contributions. The non-project program generated both resources to get the economy going again and put a lid on inflationary pressures by taking local currency out of the local market. We could control the flow of these counterparts funds into the economy, thereby expanding it while keeping inflation under control. The AID mission had probably had four or five hundred people in the project implementation phase. Our office managed a little two hundred and fifty million dollar program staffed, I think, by two Americans and six or eight local Korean staff. It was a very, very, fascinating job. Absolutely, unbelievable. The Koreans have been referred to, among other things, as the Irish of the Orient. They are very tough; they are very stubborn, so it made for a very challenging environment in which to negotiate. The amounts of U.S. non-project AID were allocated into quarterly tranches and for each quarter we would negotiate with the Korean government on the composition of the commodities to be brought in for the economy. The Koreans being very, very stubborn had adamantly refused to create a realistic exchange rate. They were determined to keep it as low as possible, so that imports came in very inexpensively; they didn't worry about exports because there weren't any. The American government was not about to be provided very small amounts of won for their dollar input. As a result, it was agreed that the bidders would bid for the foreign exchange for the dollars and there would be "competitive" bidding for these commodities.

The first thing I observed was that in effect, we had a foreign exchange auction system. Very rare experience in world history. My eyes lit up and I found the process fascinating.

Library of Congress

I discovered that strangely enough a lot of commodities went at the minimum or official exchange rate. There were others that didn't. The foreign exchange allocations were literally, as I said, by commodity. I begin educating myself on why these differences and it became quite clear that the Korean government was following Japanese management practices and was seeing to it that there was no competition in the sensitive commodities; but the less important imports were up for grabs. So, you had this extremely wide discrepancy. I would probably be far off on the numbers, but let's say that the base rate was 181 won per dollar, but there were imports worth six and seven hundred won per dollar - 701 won per dollar for a certain more popular commodities such as plastics; plastics, raw materials, etc. The largest amount of funding we supplied was for fertilizer. So, I was right back in my own old business again. It appeared that capital formation in Korea in the period before I got there - after the war - had fallen in to the hands of those who were able to make large amounts of money relatively easily. "I-E" as they are known in the United States - the madams and the women who controlled the kisang houses and other houses that were frequented by the GIs - had accumulated large amounts of money. In Korea, it was customary that the women controlled the household budget; they were also beginning to control the national budget. As a result, it was the madams who had the money to buy the fertilizer and had the monopoly on fertilizer acquisition and distribution. So it was usually the case that those who held the monopolies were not often the owners; the madams and others simply held the chits and they could then resell these chits for very large amounts. They were getting the fertilizer chits, let's say for 181 won and then reselling them probably for four or five times this amount, because fertilizer was just very, very scare.

There were other interesting areas which became very political. For example, there was news print. In a very closed society where newspapers were not very aggressive or active, that wouldn't have seemed like a very interesting commodity. But, it happened that all the school books were printed on news prints at that time. It also happened, as one came to discover, that Madam Rhee was very involved in the school print monopoly.

Library of Congress

Q: Syngman Rhee being the President.

HEGINBOTHAM: Syngman Rhee being the President. His wife, Madam Rhee was of Austrian origin and I can't remember how and when they married. Anyway, she wore Korean clothes and was very, very integrated in Korea in more ways than one can tell.

I figured that Korea was going nowhere fast as long as it didn't begin to consolidate these exchange rates. I took it as my task over the two years there to go as far as I could toward achieving a unitary rate of exchange for the Korean won - not as my communist friends wanted to do by negotiating an agreement with the Korean government, but by simply bringing about reality through the auction markets. I begin to experiment with very much tougher negotiations, for example, on quantities, and I began also to get approval for grouping closely related groups of commodities where there was insufficient bidding. In other words, I would take, say plastics, raw materials and other industrial chemicals and there might have been a significant discrepancy between the grades. I would combine them and make them undifferentiated. We couldn't specify. The Koreans got the dollars and it was up to them what they did with them. During this process I learned a great deal about Korean economy, but I learned even more about Korean politics; I started getting late night telephone calls; I started getting threats; I started getting visitors who were clearly connected with Madam Rhee who literally issues fairly dire threats on my existence if I persisted in this sort of thing. It was fun nevertheless because I could tell immediately when I was getting into territory that was going to be interesting and that of course, increased my determination.

Q: Some Koreans are, very tough looking people. Can you tell both how the threats were made and whether you got any support from our AID mission?

HEGINBOTHAM: This is an extremely interesting and painful question. I was able to do some relatively minor things without attracting very much attention. But on several occasions, the negotiations which I carried on with a Korean counterpart lasted a couple

Library of Congress

of days. They were very vigorous. My counterpart was an economist and so we really enjoyed the substance of what we were dealing with and we debated very substantive questions. I would take the agreed package back and I could absolutely count on it that the ministry of reconstruction would come to see Joe Brent, who was our mission director, and that somehow the Koreans wound up virtually with their original position despite the negotiations that had taken place. Joe Brent would listen to the Koreans every time. He believed in them; he thought they were great. No matter how strong a case we had, he simply discounted it and dismissed out-of-hand the arguments of staff on these issues. He was apparently determined to be revered by the Koreans and so it was an extremely painful and unhappy situation. But, it didn't at all deter me and I was able to get Washington approval for consolidating some of commodities. In some cases, in order to get consolidation I had to go across major categories, and to do that I had to get approval from Washington. There were cases when I was successful in doing that. Joe Brent didn't last forever, so we had Loyal Giner later come in and he was a much more reasonable and less malleable mission director.

Q: Did you find that in the AID bureaucracy one could make one's discontent known back in Washington through visitors, mail or what have you?

HEGINBOTHAM: You know, you'll have to forgive me. This goes back a ways and I don't remember. I started out as an assistant in the non-project branch. I became the chief of the non-project branch. I had a very supportive boss, Tom Niblock, and my recollection is that Tom was very supportive, especially with Loyal Giner. I think that by the time I had gained enough credibility and enough support from Tom that when we had a change of mission directors, I was able to get more done within the mission so that it didn't become a problem.

There was major issue that I would like to relate. This happened at a time when the program was down around 230 million dollars. We shaved the all programs slightly. It was quite clear to me that the non-project program was a positive impediment now to the

Library of Congress

change that was necessary for Korea to become competitive both as an importer and as an exporter. I had succeeded in moving quite a good distance toward a unitary exchange rate. I think by the time I left we were close to three or at most four rates instead of about 20 or 25 that we had when I first began. So, we'd moved quite a distance and there was almost nothing selling at 181 won per dollar anymore. That's a notional figure. I went to Washington with the proposition that we should begin an evolutionary process of reducing the AID program I felt that in order to get the Koreans' attention we needed to reduce non-project assistance by a minimum of 20 million dollars. It wasn't needed; the Koreans were beginning to generate their own savings; the madams were doing nicely, thank you from all those illicit rates which were bringing in fat profits. There was plenty of money around. I didn't think that money, local currency, was not really an issues. The issue was the profitability of enterprises which were being challenged by large imports of American goods at still below market rates of foreign exchange. My argument was that rather than going through the excruciating political pain of making the last consolidations on the exchange rate, which they would have been fought very, very bitterly by the Koreans, that it was better simply to get the message across that the trough was drying out. We are cutting this program and that this is the first crunch you can count on its progressive elimination.

Washington at that time would not hear of it. It was only after I left that they hired Jim Killen as mission director. He came in and started cutting the non-project program and created what I had recommended. I hope that I was instrumental in helping soften Washington up to the notion that this was the essential way to go. But, Killen certainly had his own instincts and he was aptly named. He was the opposite of Joe Brent. He came in determined to change the assistance program, but he was after my time so I didn't have the pleasure of doing that myself.

Q: When you were there you say the issue was money. Bribery has beethe mother's milk of Korean enterprise right from the start.

Library of Congress

HEGINBOTHAM: Let's be broad: Asian enterprise.

Q: Asian enterprise. I ran the counselor section at one time in Korea and corruption was a major problem and continues to be a major problem. You were dealing with the same sort of thing, something people wanted. During the time you were there how about corruption?

HEGINBOTHAM: It was such a fascination to me that I determined that if I should leave the Foreign Service soon after my Korean tour I would spend my next two or three years writing a book - an analysis on the economics of corruption. The question was to what extent is corruption economically functional and to what extent is it economically dysfunctional? I thought I could see at the end of my tour that there the beginnings of a transition. First of all, many of the madams, as well as many men, begin to understand what was going on. They found other non-monopolized enterprises outside of fertilizer which were beginning to be very rewarding. The Koreans were hell bent to industrialize and so a lot of industrialization was going on. The presence of the military greatly facilitated that, because instead of having to export the products initially, a lot of the production was expendables for the U.S. military. They got used to producing to world standards by producing expendables for the GIs in Korea, which was great. What was beginning to happen was the corrupt officials in the government who were the key to issuing permits - endless permits and all kinds of discretionary opportunities including the non-project import program - began to see that more money could be made by going into enterprises than by staying in government.

I was beginning to see the very early stages of the transition where people were beginning to leave government before their retirement time to establish an existing relationship with the private sector. Incidentally, where corruption was most painful was at the school level. It got vicious in the area of school books and the school uniforms where the grafters would take their cuts, at the expense, of the lowest levels of society. That upset me no end. The big boys could defend for themselves. It started to affect the poor people and that was really rough. I was faced with a dilemma because on the one hand, I wanted to

Library of Congress

raise the price of textbooks and the news print prices up, but on the other hand, I didn't want to deny a good education to the many poor children. I must say that my efforts on prices had very little affect on the cost of school books because all the changes in the dollar exchange rate was going into hands of the profiteers and that was not affecting the price of books at all. I was involved with a young Presbyterian group and there was a very charismatic Presbyterian minister who appealed greatly to the young. He was determined to create a legal system and a legal structure for Korea that would limit the opportunities for discretionary action. I can say that through that approach and through the non-project program, I saw just about every aspect of corruption. There should have been more of a rule of law than a rule of men as the minister had wanted. On the other hand, the corruption I saw was in part responsible for the vast amounts of capital formation in Korea. Some of that capital went in to speculation and made many people quite rich so that they were able to afford mistresses, live the high life and leave their wives at home to take care of the kids. But, others began enterprises that socially redeeming and really began to form a base which ultimately led to Korean industrialization.

Q: Today is the 13th of November, 1996. You are in Korea. I wanted to ask whether there was ever have any pressure put on you by Koreans or others? Were there bribes offered and that sort of thing?

HEGINBOTHAM: I never had any bribes offered me directly. I had pressure put on me; I had frequent telephone calls, very agitated telephone calls from government officials; I had late night telephone calls from people asserting that school children were going to go without books and all kinds of dire consequences would happen if I didn't relent on some of my views. I was protected by two extremely upright and fine Korean employees and I never thought to ask them whether they were getting pressured, but I think I would have heard if they were. Although, again one never knows.

Library of Congress

The other thing was that I was also protected by the wishy-washy behavior of the AID mission director who, as I mentioned previously, after I concluded negotiations, heard several complaints from the minister of reconstruction concerning the unreasonable positions I was taking on these various issues. He would always give in without any reference back to me. Had this not been my first tour, think I would have stood up more aggressively against this kind of behavior. In the final analysis, the Koreans suffered relatively little. The unfortunate part is that they would have benefitted from what I was trying to do, which was to unify the exchange rate gradually. The fact that the mission director caved in, I think may also have reduced the pressure on me. Although, I never thought about it until this minute.

Q: What about, what was your feeling about the rest of the embassy? You've talked about the AID mission. What was your feeling about the caliber in the embassy and how it was operating and all that?

HEGINBOTHAM: Oh, well, I had a couple of friends who were just absolutely outstanding like Tom Schutz, who was just terrific. He was extraordinary. He was kind enough to include me on various social events. He was in the political section so there was no reason particularly for us to work together, but he included me in a lot of things that he didn't need to and I remain in his debt for that.

Besides that, my contacts with the embassy were not that frequent. First of all, I had a very heavy work load and secondly, I felt that I was learning more about the politics and the economics of Korea than the embassy was. I was quite content to go about doing my thing, because I knew the inner workings of Korea lot better than they did, primarily due to the kinds of reaction feedback I would get.

Q: *Did you, was there any sort of connect between you and the economic section?*

Library of Congress

HEGINBOTHAM: Not that I recall. My principle interactions were with the rest of the AID mission, because we were importing not only basic commodities that were intermediary goods for production processes, but we also imported a lot of equipment and spare parts and other things that were directly relevant to a lot of the AID projects that were being undertaken in the country. I really just didn't have a lot of time and we were sort of at the opposite ends of town from the embassy, so I really didn't do a lot with the embassy at all.

Q: I think last, what was your impression so overall and maybe you were getting from your colleagues about the Syngman Rhee government?

HEGINBOTHAM: I found it very disturbing. This was my first overseas tour so I didn't have any benchmark. But, as I mentioned, I was active with a young church group in which was led by a Korean pastor whom I felt, was just an extraordinary person. From that young church group I got a lot of inside views as to how things were working and weren't working and kinds of corruptions that were going on. We began some projects that had to do with rule of law and were also supporting some indigenous activities, such as the building of a Korean legal center. As I recall, that effort got integrated to a degree into my non-project program. So, I was very aware of a lot of the problems even though I didn't have CIA contacts or anything like that. I didn't know a lot of the darker side, I am sure, but it was an extremely distressing situation. The corruption that was pretty rampant the government at that time and Madam Syngman Rhee participated fully. I was not happy in the way that student activities were being cracked down on. I was not all that surprised when the coup that overthrew Syngman Rhee broke out. I was still in Seoul and that was a very fascinating event.

Q: Could you talk about your experiences during the coup?

HEGINBOTHAM: Often I got more experience than I bargained for, because on the day of the coup we were expecting someone back from a trip to the states and I volunteered to go to the airport to transport him back in. On my way to the airport, I was caught right

Library of Congress

in the middle of the streets filled with people running wild in cars and yelling from military vehicles that they had commandeered with the flags flying. This was pretty much after most of the over-throw had taken place. But, it was a tremendous and emotional moment

Q: How did your Korean people working with you respond when this was happening?

HEGINBOTHAM: I just don't really have any recollection. My basic recollection is that everybody was very pleased.

Q: Do you recall how you and the people around you felt about the coup that overthrew Rhee and, what did you think about whoever would replace him. Would the new leadership hurt our the programs or did you feel it couldn't help but be better?

HEGINBOTHAM: I think it was the latter, because in the ministry of reconstruction we worked with some very fine people and there was some qualified highly trained people, many of whom had done studies in the United States. I had no problems or quibbles with them. I mentioned that the principle negotiator on the Korean side was a very, very close personal friend. I just had no doubts that if these people were freed from some of the perversions that took place under Rhee that things would be better. It was pretty inevitable that a military government would succeed the Rhee regime however, given the circumstances and the fact that the country might not have been ready for a democratically elected government. There was certainly a lot of hope that the new regime that the students and the popular reaction would sort of help keep things on track.

Q: You left Korea when?

HEGINBOTHAM: I left Korea in 1960, about mid year as I recall.

Q: And where did you go then?

HEGINBOTHAM: I had a quick trip back to the United States for home leave and I got married at that time, within about two weeks of returning, which was a little traumatic,

Library of Congress

because in those days you were lucky to get a telephone call through from Korea with all the GIs who were waiting for the few circuits that were available. Letters weren't always very reliable either. We had a very quick two weeks to get reacquainted. My wife accused me of having a psychosomatic disease. I think it was scary for her and for me since we had been apart as long as we had been together. But, anyway we got married and after a very quick honeymoon in the Blue Ridge we took off on the USS United States for, indirectly, Liberia. We were able in those days to take the ship. It was a brand new ship at that time. We crossed and we honeymooned in Scotland and England. We flew from London to Stuttgart. We went to the Mercedes factory and we got a diplomatic discount plus the reduction that came with picking up the car at the factory. I paid just slightly, as I recall, \$2,100 for a 190 SL, whatever it was in those days, Mercedes, which is just a little bit more than I paid for my Chevrolet two years before when I was in Korea. It was wild. Anyway, we drove through Germany and France and England and Scotland and put the car on a ship and flew to Liberia.

Q: You flew to Liberia?

HEGINBOTHAM: We flew to Liberia.

Q: You were in Liberia from 1960 till when?

HEGINBOTHAM: 1962. We were there two years to the day.

Q: What was your job in Liberia?

HEGINBOTHAM: Very little. I was in the economic and commercial section and it took a great deal of effort to figure out what one could usefully do. I was number two in the section. The job consisted of writing world trade directory reports on various Liberians firms and there were extremely few native Liberian enterprises that were worth reporting on. Most of them were Lebanese and a good deal of my time was spent chasing after Lebanese merchants who hadn't paid their bills to American exporters. More often than

Library of Congress

not, I didn't find them or they had only post office boxes addresses. Eventually, I notified the Commerce Department that I was not going to do any WTDRs on any except the firms that I had indicated were worthy of reporting on. They just wouldn't get any more from me on these other businesses. I was very close to the Ford people and to some of the academics who were there for various lengths of time. I always trying to figure out what was going on in the economy. Firestone was there growing rubber as well as Lamco which was a big iron mining venture - a huge venture that was active, especially in the second year I was there. So, there was a fair amount of mining minerals reporting and rubber. But, most of the American companies that were there had been there forever and there was nothing that you could tell them about Liberia that they didn't already know.

There were a couple of other things, I did the first and only report that had ever been done on the road network in Liberia, which was sort of nice. First of all, it was important, because when you are opening roads you are opening the economy. But, secondly it was also very convenient, because it gave my wife and a reason to travel practically every weekend we could get away.

Q: In the 1960-1962 period, things were really beginning to pop in Africa as far as former colonies becoming independent. Liberia that has been independent for a long time, but not very impressively. So, what was the situation in Liberia when you were there?

HEGINBOTHAM: Independence has a very special meaning in Liberia. Independence meant that the American Liberians were free of their bonds from the United States. They were also free to exercise dominion over the people they called the bush niggers. That pretty much typified the attitudes at that time. You had the dramatic and colorful showmen, William Canarack, Shadrack, and William Tubman who was the president assisted a little by William Tubert who was the vice president. I literally heard a state of the union address at which Tubman, the politician that he was, admit that they were essentially exercising imperial power over the tribes in Liberia, which constituted, I don't know, at least 90 percent of the population. No one tribe was large enough to be of any great

Library of Congress

consequence, although there were a couple that were definitely larger than others. There was virtually no tribal friction in those days at all. You began to see the brief awakenings of a labor movement; there was some activity by a couple of Liberians who were trying to be a more traditional labor relationship types. Tubman quickly squelched that. Then, in one of the classic all time sorts of nepotism, arrangements were made to put Tubman's son (or Tolbert's, I don't remember) as made head of the labor union. At the same time, Tubman set up a public relations firm which claimed certain privileged entre to the executive mansion and, for a fee, arranged meetings for various American and foreign investor companies with the president on any labor problems they might be having. The notion of conflict of interest was very alive and well, but with a new twist.

Q: Who was the Ambassador when you were there?

HEGINBOTHAM: We had a wonderful ambassador. His name was Albert G. Matthews. He was tall and distinguished and about as diametrically opposite in character from the Liberian style as you could imagine. He was quite courtly; he must have been I guess, 6'2; grey mustache; just a really super guy. It was difficult to come up with very much new at the staff meetings. The most memorable staff meeting I recall is when we were discussing Tubman's various extramarital liaisons and what ripples that might cause in U.S. relationships. I think he was having an affair with the wife of the Liberian ambassador to the United States at that time. That was about as dicey as it got. It was a period when there was some ferment in Africa. We had next door to us Guinea, headed by Sekou Toure.

While we were in Liberia, the Africans established the Organization of African Unity. In any event, we had some very distinguished Africans who visited; so that was a highlight of Liberia. I think as the senior independent country they laid claim to the first meeting and that was quite distinguished.

Library of Congress

Q: I assume that almost all your contacts were with American Liberians. What was their attitude towards the other countries that were becoming independent around them?

HEGINBOTHAM: I was not a very good amateur sociologist, but I think it is fair both then and now to interpret their behavior as basically stemming from an incredible inferiority complex. I think many of them recognized that some of the other African countries had benefitted from certain aspects of colonialism while at the same time suffering from others. The American Liberians generally tended to put on pretty haughty airs and were quite difficult to deal with. At the same time I can't say enough about some of my Liberian colleagues, those who didn't have to affect this kind of front and who were just really genuinely great people to work with. I had very affectionate feelings toward those folks.

Just a footnote. At some point in your assignment, you get pretty stir crazy, even in a country that is 43 thousand square miles big. But, it was very easy. So my wife and I took off on a 6,000 mile trip through West Africa by car. At the time I planned the trip there were 33 ferry crossings. I think that we were going to have to allow a half day for each of those. As it happened, there was only one major ferry crossing by the time we got to Botswana. All of the countries we transited were basically oriented from the coast inward for a variety of reasons. One, there was usually a tensions between Liberia and the Franco-speaking countries on two sides or with the English control of Sierra Leone in another and that tended to be the case all along the coast. Furthermore, there were huge tropical rivers which would have been very expensive to bridge which meant that in order to get from one country to another, you would drive from the coast virtually all the way as far inland, then you would cross over to the next country and the then return to the coast where the action was. We went from Liberia up through the Ivory Coast, Ghana, Togo and Benin and then a big circuit through Nigeria. We didn't get up to Ouagadougou as we had planned, because the roads were all washed out. That was very interesting trip because we then were able to compare and contrast what was going on in Liberia with other parts of Africa.

Library of Congress

Q: President Kennedy came in during the time you were there and Soapy Williams had become the assistant secretary of the African Bureau and things. All of a sudden a lot of young Foreign Service officers would say, "Wow, this is for me. There are lots of countries and Africa is the future both from U.S. policy point of view as well as from a career point of view" I would have thought that Liberia would be sort be almost odd man out. Things weren't going to change there. How did you all feel about it?

HEGINBOTHAM: I didn't feel that Liberia was necessarily less well positioned than other countries along the coast with the exception of Nigeria, because investments in Liberia by the time I left, were quite substantial. Lots of new roads were being built; new rubber plantations were opening up; there was a lot of small enterprises run by Liberians. They were spin offs from the rubber plantations of Firestone, which was assisting them. Furthermore, a totally disproportion of the amount of American aid was going to Liberia. There was no reason to expect that Liberia was going to fare any less well and certainly probably better than places like Guinea or Upper Volta and Ghana was certainly questionable under Kwame Nkrumah. Ghana was lavishing tons of money on the show place universities. Nothing much else was going on. I didn't feel that Liberia was being left behind.

I also was privileged to make a lot of visits to the hinterlands with a wonderful guy who was the education advisor for AID. I was overwhelmed by the incredibly thin layer of education and confidence that I perceived. I had the same impression throughout West Africa. So, I had very little expectation that West Africa was going to gain any kind of stability or any kind of economic sustainable growth, because the leadership was so incredibly vulnerable.

Q: *Was there much of an immigration of African Americans from the United States to look for their roots or did this come later on?*

HEGINBOTHAM: There were some very sad cases of that. It wasn't a big rush. Of course, the Marxist garden movement had been active a long time. They went back on a

Library of Congress

communal basis to try to set up communities in Africa. They really were odd people who came back and more often than not were just totally estranged from the kind of society that existed in Liberia.

I might just note some of the peculiarities of Liberia - the things that were really different. One of the audacities of the American Liberian society was that it took so many things from its American experiences which it then grafted them on the local society. They took the Masonic rights with them and then they grafted it on top of native secret societies. There was a lot of black magic and occasional cases of cannibalism or rights that were associated with the secret societies. They got inter mixed and I think some of the African Americans were spooked by threats of black magic and a variety of other secret society activities. A couple of them cracked up and others went back to the U.S. very disillusioned by what they had found.

I would say probably 75 percent of the really amusing Foreign Service stories took place in Liberia. One of my tasks was to analyze the Liberian budget. Among other things there was a passing interest in what they spent on defense. As I was going through the budget one day I noticed that they had an item for the Liberian Navy. I didn't know anything about Liberian Navy. I started nosing around to find out what I could about the Liberian Navy. It turned out that the Liberian Navy was a euphuism for the President's yacht. At one point the President's yacht was in need of restoration and so they sent it off to England to be refitted and upgraded. The day came for the return of the "Navy" and the yacht was greeted by crowds on the docks. The port of Monrovia was built by Americans as thanks for the World War II use of the Liberian air bases But it was a very long break water with a relatively narrow opening. The break water was on two sides. It so happened that at this time there were a lot of heavy freighters going in and out with iron ore and other commodity cargoes. As usual, things were a little behind schedule and the ship didn't shown up. So there were ships coming and going and there was one particularly large ship which was heading out the exit of the port Just as it reached the exit of the port the "Navy"

Library of Congress

rounded into sight and there was a collision. The "Navy" was off budget for the next two years.

We ran into those were the kinds of things—it was wild. We just had a great time traveling around and learning about the different tribes and visiting the missionaries. D.J. Hayes was the education specialist who was such a prince and very well known throughout the country.

Q: When you got ready to leave in 1962, did you have any desire to become an African specialist?

HEGINBOTHAM: I went in to the Foreign Service with my main interest being in Asia. There was nothing I saw in Africa in my two years there that changed that interest in the tiniest little bit. I felt the culture; we traveled around with a cultural anthropologist quite a bit and I was just not socially or temperamentally attuned to stay around in that part of the world.

Q: Where did you go in 1962?

HEGINBOTHAM: We rushed home to permit my wife to give birth to our first child. She was certified to be in her third trimester which means that she could have been up to nine months pregnant as far as the airline was concerned. But, anyway we got back and two weeks later she gave very swift birth to our daughter before I could even get from the office to the hospital. After that, I went to MIT. First, I had a short course at FSI - a sort of preliminary economics course for MIT. Of course, I had an undergraduate degree in economics; so I was extremely pleased to be going to MIT - that was my first choice for my next assignment.

Q: Was it a year's course?

Library of Congress

HEGINBOTHAM: Yes. Unfortunately it took two years to get a masterin economics at MIT; so I didn't have a chance to get a degree.

Q: Was it a special course at MIT?

HEGINBOTHAM: This was the precursor to the economics course that FSI eventually set up. At this time, the Department used universities for training and I think economics was the principle area. Economic assistance was the big and growing activity at that time and I think the Department knew that it had a shortage of economists, although it was never clear in later years that they were quite sure what to do with economists when they had them. I was part of the Department's effort to bolster its economic knowledge. I felt fortunate having had economics, because many who were sent to graduate economics schools had undergraduate degrees in economics. It was a terrific opportunity for me, because MIT had the best economics department in the country as far as I was concerned. It was great, but it was also probably the hardest year that we spent in the Foreign Service. It was tough on my wife raising a tiny baby in basement apartment in winter in Boston. I was taking courses that presumed previous calculus knowledge, but I hadn't had it; so I was taking calculus at the same time. That was challenging.

Q: You left MIT in 1963? What came next?

HEGINBOTHAM: Right. At that point I realized the benevolence of the State Department personnel system because despite that I was still a very junior officer, I was offered a choice of three assignments. But, of course it was possible to be a little bit cynical about those, because the choices were Vietnam, Cambodia or Laos.

Q: You had asked for Asia!

HEGINBOTHAM: I asked for Asia. I guess we took a day or two to think about it, but it wasn't really too hard. I opted for Vietnam, which was a wise choice, because if we had

Library of Congress

chosen to go to Cambodia, our household effects would have been on their way to Nam Pen and we would have been evacuated the day we arrived.

Q: You were in Vietnam from when to when?

HEGINBOTHAM: I was there in differing ways from 1963 to 1967.

Q: 1963 was a rather crucial year.

HEGINBOTHAM: We got to San Francisco and discovered that Pan Am had not made the hotel reservations that we thought they would, so we wound up sleeping on benches at the airport that night because there was nothing available within 50 miles of the airport. An over-zealous guard kept coming around and waking us up and waking the baby up, so we would move and then try and find some place where he couldn't find us. We were in miserable shape when we got on board of our plane. When we picked up the newspaper, the headline was that martial law had been declared and that the Saigon airport was closed. We were alerted two and a half hours before we got to Tokyo that the hydraulic system was out and that the crew would have to use a manual breaking process; they gave us lurid description how we should protect ourselves on landing, in view of the likelihood of fire and all those good things. So, when we got to Tokyo we were not in excessively great humor and we had to cool our heels for three days.

Q: This was when?

HEGINBOTHAM: I guess it was June of 1963. I was in Saigon from 1963 to November 1965. In any event, we spent three days cooling our heels in Tokyo that were un-programmed. We finally left on either the same flight or the flight immediately after the ambassador's. It was Cabot Lodge who had just been appointed ambassador. I guess we were on the plane immediately after the one that brought Lodge. Things were not too cozy in Saigon at that time. American personnel was under such suspicion by the Vietnamese

Library of Congress

that they had been ordered not to associate or have any contacts with their American counterparts.

Q: Why was that?

HEGINBOTHAM: Because of suspicion.

Q: What kind of suspicion?

HEGINBOTHAM: The regime suspected that Americans were up to no good and were plotting against President Nguyen Van Thieu and his wife, Madam Thieu. They were trying to prevent contacts and made whatever contacts existed more visible. So, having arrived in June, we had a couple of months where we had literally no contact with any Vietnamese officials.

Q: What was your job at the Embassy?

HEGINBOTHAM: I was in the AID mission in the program division. I was in the office of economic policy which was responsible for assessing the needs of the Vietnamese economy for supporting assistance - basically military support assistance - which was designed to absorb the spending power - that was generated by the Vietnamese printing presses - with commodities that Vietnam needed to keep its economy going and to support AID projects, much like what I did in Korea.

Q: What were you getting from the people you were working with iAID and elsewhere within the American mission about Vietnam and the Van Thieu regime and his family?

HEGINBOTHAM: Actually it was very much like picking up where I had left off in Korea. As I said, we had virtually no contact with any Vietnamese with the exception of a few locals who worked for AID. So, it was very difficult to find out what the Vietnamese were thinking. But it was quite clear from contacts with a lot of our American colleagues what was going on, because, of course, they had their feelers out in all parts of the country. There was a

Library of Congress

provincial representatives system at that time which required Americans to be in all of the provinces of Vietnam, so it was relatively easy to get a feel pretty good feel of what was going on in the country. It was a very depressing situation. We arrived shortly after the first monk had emulated himself about a block and a half down the street from where we lived.

Q: We are talking about Buddhist monks?

HEGINBOTHAM: Right. There were a lot of demonstrations and there had been a lot of emulations. A new wave had begun and it wasn't long after we had arrived that President Diem was, in fact, overthrown and killed.

Q: Were you getting a feel about Ambassador Lodge's attitude toward the government?

HEGINBOTHAM: I think the impression was that he had come to talk tough to the Vietnamese in an effort to get them to put their house in order. But I was pretty cut off from the embassy and really didn't get a lot of inside scoop about what was going on. I guess what disturbed me was the sense that the autocratic management of the government seemed to be disappointing a lot of people who normally would supported the government if they had been given a chance to do so. I can't now recall what was wishful thinking and what was suspected with regard to Lodge's job there.

Q: You were part of the program to try and absorb the surplus currency. I came there in 1969 and we were cursing that Vietnam was awash with consumer goods mainly Japanese, like little Honda motor bikes and other thing; it seemed to be a hell of a way to running a war with all these consumer goods flooding the country. What was the feeling at the time you were there on what was being done; how was it being done; and what was your impression of that?

HEGINBOTHAM: At the time I arrived and for about six months at least, very little was being done; things were chaotic situation. I was trying to learn the whole of the macro-economics of the country and so, I wasn't so involved with the non-project assistance

Library of Congress

program and what was going on mechanically. Basically we were just trying to do the best we could with the ministry of finance to figure out what was happening in terms of inflationary pressures and what was going to be needed in the countryside to meet the essential needs. We were trying to keep the production processes running as best as could be to avoid having to import still more than we already were. Obviously, in incredibly rich agricultural areas, there was a lot done to focus on the agriculture, but efforts were also being made to try and build up the Vietnamese capacity to produce expendables for the military. So, our focus was really not at all on the consumer economy; it was on the productive element of the economy. The visible consumerism that existed was much more associated in my mind with the PXs and the GIs who started pouring into Saigon after Kennedy's assassination. That was really quite visible.

Q: Where were you and what were you doing when November 1963 whe Diem was overthrown and he and his brother killed.

HEGINBOTHAM: I was living not very far from the U.S. AID building and therefore my life consisted basically of going back and forth from home to the office with a lot of alerts in terms of disturbances and things of that sort. We practically backed on one of the Buddhist temples that was the scene of a lot of the politics; there was a great deal of disruption of life. I learned to ride a motorcycle because I figured that was the safest, quickest and best way to commute. Our lives were very unsettled and there were a lot of worries. My wife was teaching out near the airport and there were a lot of concerns about family security. In fact, we had three very close calls with the family in relatively a short period of time. Even once things begin to ease up, unless you had very good reason, I didn't travel outside of Saigon very much. There was no way for me to do what I had done in Korea, which was really to get out and get to know the countryside. It was very clustered, sort of catastrophic existence. When we did venture out, we encountered three rather close calls.

Q: What sort of? How?

Library of Congress

HEGINBOTHAM: The first one involved one of the first incidence of a VC kidnapping of an American, a guy who I had come to know, Guy Serts. We had gone out to the edge of Saigon for the idle task of picking up some of the sculptured plants that the Vietnamese were adept at creating .We had gone to a particular block on the edge of town and bought a couple of plants for the stoop and came back; we were enjoying them until we picked up the paper the next day and discovered that Guy Serts had been kidnaped from the very block that we had been shopping in. The exact same location. Then although we weren't directly involved in the theater, there was a grenade thrown into the theater and a soldier threw himself on the grenade which protected everyone else but killed himself.

A third incidence was when we took some Vietnamese friends - a family with whom I had become close to in my official work - for a Sunday lunch including a ride on the river on an embassy lunch Clueneetee where the French used to water ski. When we got back someone asked if we had been shot at. We said, no. They said, "Well, they were just shooting there." Apparently, the VC were on the far bank and were shooting at the water skiers and the motor boats a little while earlier. So, that seemed to be a dubious past time, too.

Then, I guess it was after the family left, I was literally within three blocks of the embassy when it was blown up. We began to take these things a little bit personally after awhile.

Q: After the assassination of Diem, there began a revolving door in the government. What were you doing? Did things open up more; there wasn't much to see?

HEGINBOTHAM: That is an interesting story, because we used to invite some of the provincial representatives in to our house when they would come into Saigon for weekends. We were sort of a local watering hole for people who came back from the provinces. I very quickly became disenchanted with what I was doing in the office and started talking to my colleagues and we decided that we would undertake a little project assessing how economic development might be conducted under conditions of warfare on

Library of Congress

military action. We set up a little cross disciplinary group with somebody from the military, and somebody from AID, and somebody from the embassy, a couple of different agencies and we started meeting. My boss didn't like this. He told me that I would have to do this on my own time; the project had nothing to do with what we were supposed to be doing in the office. So I did that. Eventually, I would spend weekends in a province that we selected where we could observe the situation to see what the conditions were and to try to see if we could figure out some answers. We picked Tangin Providence, because it was sort of a transitional province between the north and the south. We used to make frequent trips to look at the province program and work with the AID program to see what was being planned for the province. We very quickly begin to see that it was hard to divorce that from what was being done with the military management. We became quite disillusioned with the way the military operations were being run. So, we began to try to push some new policies even though we were all were junior officers in various agencies. We begin to develop some fairly elaborate plans for the province. The military was very fascinated by this and they invited us to make a presentation.

Q: American military?

HEGINBOTHAM: Yes. At this point my boss saw a way of burnishing his credentials a little bit by letting me spend some of my office time on this project. As I said, we became very frustrated with some of the military operations and started developing some proposals to change some of the way things were being done. We would meet and we would decide which agency was likely to be most receptive to a particular idea and then we would propose our idea to that agency. We would all be alert to position ourselves to respond. We would usually try to cast the proposals in such a way that we were sure it would end up on the action list. We begin to have some interesting success at trying to get some relatively minor things changed from the way things were being done. We became aware of the three wars that were being fought and developed a rather strong partiality to the things that were being done in fighting one of the wars over the way things were done fighting in the other wars. We became more and more involved with critiquing the military

Library of Congress

activities in Vietnam and eventually I became totally disillusioned with what was being done with the military forces.

I guess General Harkins was there when I first arrived and he was quite notorious for cooking the numbers, no negative reports and so on. Among the things we became painfully aware of were just how completely misleading the reports that were coming from headquarters. When you got an honest report from a provincial military advisor, it wasn't getting through; that was very disillusioning.

Q: One person I interviewed was saying that he was there when Harkins left and Westmoreland took over. He said that Harkins had the staff draw up a list showing all the successes; when Westmoreland came, he had the staff draw up a list the failures in order to build a benchmark so he could later show how he had improved matters. All the same matters were on both lists, except in reverse. What was the problem, as you saw it as an economist looking at what the military was doing?

HEGINBOTHAM: What we saw happening was that there would be Viet Cong attacks on various hamlets or villages and the ARVIN (army of the Republic of Vietnam) forces would either not bother to show up or often they would be ambushed and severely beaten and retreat before they ever got there. The subsequent evidence and the scuttle-but was that there were lots of spies inside the ARVIN and therefore the army was extremely vulnerable. Consequently, the result was that the villages, if anything, got a little mortar cover and that was about as much as they could hope for. The other activity that you had going on were the green berets.

Q: *They were our special forces?*

HEGINBOTHAM: They were special forces. They were working with in small units, independent of any regular forces, basically as guerilla force to counter the guerilla activities of the VC. We also had CIA assisted village and popular forces, provided support under AID auspices. To us, it made sense to support the village and popular forces and

Library of Congress

to expand the green beret activities so that they could get behind the enemy lines, where such existed. We could combat the enemy with these forces—probably even better than using regular Vietnamese and American ground troops—and at the same time, gather village and hamlet support. As the military assessed their program later they found out that of the officers who graduated from their training courses the top three officers almost invariably defected or disappeared. It was their military operating procedures which friends and foes alike knew. The ARVIN was just so badly infiltrated that it was just hopeless. So, we became increasingly supporters of the war that was being prosecuted by the CIA with the hamlet forces and green berets and wanted that effort enlarged. After Kennedy's death, the green berets lost their luster. They were very much mistrusted and detested by the regular military; so it didn't take long to undercut and undermine the green beret activity, which I thought was a great tragedy. Furthermore, the U.S. forces were coming in over-equipped for the job that they had to do, which meant that the VC were able to arm themselves with weaponry that was much more suited against U.S. forces than it was against them. They picked up 50 caliber machine guns and were able to start shooting down choppers and planes; it was just a nightmare. We quickly became convinced that much, if not most, of what we were doing with the regular forces was simply building up support for VC by alienating the villagers where the ARVIN had ran over the roughshod thereby disillusioning the locals.

Q: Was it after we studied our troop build up that it was decided that the families had to leave?

HEGINBOTHAM: Yes. The Tonkin Gulf incident precipitated evacuations. That happened about a year and a half after we got there. It was about February 1965 as I recall.

Q: Where did your wife and child go?

HEGINBOTHAM: Since I was expecting to go to a completely location after Vietnam, we decided it made more sense to evacuate them back to the States.

Library of Congress

Q: What was your impression of AID operations? Did they change while you were there?

HEGINBOTHAM: They evolved rather radically as the military build-up occurred. I am not quite clear when there was some restructuring of the provincial representatives function. At some point, they changed the whole structure and I don't really have the details of that at my grasp. But the AID process did not change a lot. We were still providing defense support funds and we were still trying to build up plants, more and more of which tended to get cloistered around Saigon as the military areas in the rest of Vietnam became more tenuous. Basically, I was so preoccupied with the general interaction of the military and the AID programs that that was what I focused on just exclusively. As I said, we started with our little group to do everything we could possibly do to promote the village and hamlet popular forces because that it seemed to be the only possible way to achieve our goals. At the village level you could expect that while there might be a some infiltration it was likely to be known. I guess what was most overwhelming was the preoccupation by Washington with statistics body count - the McNamara approach to winning the war with numbers which was just incredibly frustrating.

Q: Does that continue up through when you left in 1965?

HEGINBOTHAM: Yes. I went back to Washington then. I'll have to double check again, because my memory on the dates is a bit fuzzy. I was back in Washington in 1965, but basically I spent most of my time back in Vietnam. One of my principle tasks was recruiting people for the economic and program functions in Vietnam. In the Washington frenzy to win the war; the Johnson years were filled with just crazy proposals. We spent a lot of our time trying to argue against some of the more outlandish ones.

Q: Were these hair-brained ideas or too much or ones that just wouldn't work in that type of environment or what?

Library of Congress

HEGINBOTHAM: The mentality that took over was that people in the field weren't using enough imagination. So Washington tried to throw resources at the problems. Washington was trying to come up with ideas - which people wouldn't consider or which wouldn't have been considered in Saigon and in Vietnam.

Q: Were we trying to pump up a horse that was dying? What was the feeling about it?

HEGINBOTHAM: You earlier referred to the revolving door. There was just a constant exchange of leaders and no real conviction that any of them had a strong grip. Big men seemed to be a very imposing type, but they certainly didn't change things just as little men didn't change things. Tal Key, the Air Force general, that didn't do any better, but was at least more colorful about it, but essentially we just seemed to be moving nowhere. The ARVIN were afflicted by their constant susceptibility to being out-flanked and ambushed with their weapons stolen. Basically, they were sort of a supply depot for the VC, it seemed. It was not an encouraging scene. It was just hard to see any way out. The irony of Vietnam was that there were so many people in Vietnam who were sincerely and deeply concerned about the outcome, that it was very hard not to feel terribly committed to try and do whatever one could do. It was like watching the dike gradually giving way and you knew that ultimately you couldn't do anything about it, but you wanted to save as much as you could while you were there. We had a million plus Catholic refugees who had come down from the North; there were whole sects that could and should have been fighting the VC, but who were sometimes fighting against the government forces. There was always that hope that somebody with some sense would come in and allow some local autonomy and regain some support from those sects which were in a powerful position in the areas they controlled. Eventually it became very apparent to me and to many others that the costs of what was being done in the United States - in both political and the economic - terms was just greatly outweighing any possible benefit from our failing efforts in Vietnam.

Q: You broke away from Vietnam in 1967?

Library of Congress

HEGINBOTHAM: I was in the Vietnam Bureau in AID and as I say, my principle task was to recruit people to go to Vietnam to serve either as program economists or as program officers. The AID mission had quite a substantial need for program officers at that point, because we were doing so much to support. Incidentally, one of the things that I was doing was trying to see to it that funds got down to the villages, so that they could carry out projects that were of primary interest to them, rather than having all development being pushed from the center downward. We spent a lot of time trying to work with the ministry of finance and through the provincial governments to try to get money out of Saigon; that was very difficult and never very successful.

I felt great frustration doing the core activity to which I was assigned. It was an interesting experience trying to recruit people for Vietnam, because I was told that people were busy fighting a war, so they allowed me a lot of authority. I was told that I would have authority to assign people to Vietnam from anywhere in the AID and if they choose not to go, then they would be terminated - just as easy as that. I told my bosses that I wouldn't work on those terms, but if they would accept my terms, I will be happy to do it. My terms were to give them a third choice.

The third choice was that if they did not accept an assignment to Vietnam for the two year period, they had to accept the assignment to what was then the Vietnam Bureau in Washington, including a requirement to spend at least six months out of the year on TDY in Saigon. I don't recall how many people I sent out - I would guess 20 people - but I did not have to fire anyone, because they mostly settled on my terms. We had an anti-war guy working in the bureau at that time. On weekdays he would work in the AID office and on weekends he would go out and demonstrate with his friends. We sent him out on a TDY to Vietnam; he had been out there about two weeks when we got a message asking for a full duty assignment there. It was just the result of going out there and seeing how many people who were desperate to try and win the war on the South Vietnamese side.

Library of Congress

It was just hard to walk away from it. I think that was basically what made the TDY route attractive.

Q: Where did you go after you left Vietnam affairs in 1967?

HEGINBOTHAM: I had actually been designated to go to work for Richard Cooper who was the deputy and secretary for international monetary affairs in the E (Economic Affairs Bureau). I had been designated for that job when I returned from Saigon, but AID had simply exercised its priority and insisted on my coming back to work for the Office of Vietnamese Affairs. I fought the assignment to E, but unsuccessfully and so I then went to work in the Office of International Monetary Affairs.

Q: You were in that office from 1967 until when?

HEGINBOTHAM: Until 1970.

Q: What was your job?

HEGINBOTHAM: The Officer of International Monetary Affairs is responsible for developing the Department's positions on matters which were the primary responsibility of the Treasury Department and AID at that time and possibly some other agencies. The office had two branches at that time; one had to do with the broader international monetary affairs; and the other dealt with monetary affairs for the less developed countries. So, I was not preoccupied with U.S. developmental policies toward the developing world. I particularly wanted to go in to the office that was responsible for the international monetary operations of the United States. I was interested in that because a lot was happening with the impact of the Vietnam war on the devaluation of the dollar. There were a lot going on in 1967 and 1968; e.g. the currency crisis, international currency crisis, U.S. balance of payment deficit. I wanted to find out what it was all about, because this was just an area in which I hadn't had a lot of experience. A great deal of what we had to do in the office was about as far away from Vietnam as you could imagine. It was assessing what was

Library of Congress

happening in the global monetary field - what kind of exchange rate structure we should have. Should we have a floating rate system or moving pegs and fixed rates with periodic readjustments? We were also involved in a lot of World War II death claims and other miscellany.

Q: I would have thought that there would be a real bureaucratic war between the State Department and the Treasury Department over monetary matters, because the State Department tends to look about what U.S. policy will do to other countries. The Treasury Department looks about what will this do to the United States. Did you find that the Treasury had a different attitude than that which existed iState?

HEGINBOTHAM: Generally speaking, the State Department's attitude didn't matter, because Treasury was so totally overwhelmingly dominant in this field. But that situation was changing and that was one of the things that made the job exciting at the time I was there. The relationship between the two departments changed quite substantially because when you have persons of the intellectual caliber of Richard Cooper and Tony Salomon they are bound to make an impact. Cooper had been one of the youngest professors at Yale while I was there. Anthony "Tony" Solomon had came in as assistant secretary for the E Bureau. Between the two of them they were a very powerful force. For the first time in quite a while, people were inviting Tony Solomon or Dick Cooper to meetings and sometimes that even filtered down to the director of my office. It was very fascinating. I don't know how much you want to get into personalities, but they were important.

Q: I do, because one of the great strengths I think this oral history program is that it brings out the personalities and the effect they have on foreign affairs.

HEGINBOTHAM: I hesitated doing that earlier, but I would like to return momentarily to Vietnam, because among the people I came to know and I worked with in Vietnam were Dick Holbrook who was a provincial rep at that point and Tony Lake who also was a provincial rep. There were also a number of military people who also were very

Library of Congress

impressive. Both of those acquaintances would turn out to be interesting later on in my career.

As I said, Richard Cooper was the deputy assistant secretary for international monetary affairs. I became the office director for international monetary affairs. It was quite fascinating to work with him. The reason I was so interested in going into international monetary affairs was that I basically saw myself at that point as a developmental economist. I was interested in the development process in Asia and recognized that these countries were very much dominated by the whole international monetary structure that basically directed by the IMF and the OECD and other international bodies. I wanted this assignment as background for understanding what was going on in this are.

Among other things we mounted a special mission with the general responsible for logistics and went back to Vietnam at one point to look at the currency and inflation problems of Vietnam. That was about a year after I had left the Vietnam Bureau. So again I did a little doubling back on Vietnam. I might also mention that when I became director of the office or slightly before that, we had in E a young Civil Service employee come in by the name of Fred Bergsten who has since gone on to much bigger and better things that I ever went onto. It was stimulating to work with Fred. He was obviously immensely bright and extremely effective. So, we had a pretty strong team with the combination of Fred - I don't know how to include myself in that—, Dick Cooper and Tony Solomon. With them, the State Department became fairly heavy players in the international monetary affairs. There were a number of times during which there were currency crises; we would have meetings over at the Treasury some of which I attended with Tony and Paul Volker who was then assistant secretary of the Treasury and Dewey Dane and others at the Federal Reserve Board. There were some fairly intense meetings about what U.S. monetary policy should be and particularly what our policy on exchange rates should be. All that is quite interesting in retrospect, because at that point I am sure that our balance payment deficit

Library of Congress

was a relatively small fraction compared with what it became later on. It was a testing period for the international monetary system.

Q: Was the State Department pushing any sort of particular line aopposed to that of Treasury?

HEGINBOTHAM: My recollection of that is that everybody was really preoccupied with the technical attributes of the various systems and what the economic ramifications were. There was no particular parochial interest being reflected as far as I could determine. The discussion were on the technical merits of doing one thing as opposed to another and I don't think that there were any particular predetermined positions. I think it was a period when all of the old ground rules were thrown out the window and we were trying to figure out what the changed world circumstances would mean to the U.S.—this was the period of the OPEC oil shocks and all. It was a wild time in international monetary affairs.

Q: Did Secretary Rogers play any role in any of this?

HEGINBOTHAM: No, because with guys of Tony Solomon's and Dick Cooper's stature, the work was all done in the technical bureau. He may have been involved, I don't know, I can't say that, but I don't ever recall preparing materials for Rogers.

Q: I gather at the time everybody regardless of affiliatioconcentrated on analysis.

HEGINBOTHAM: Yes. My differences with the Treasury Department camat a later stage; not at that point.

Q: You worked on international monetary affairs up through 1970. Wathis is before the United States went off the gold standard?

HEGINBOTHAM: No, I think not. We were already in sort of a floating, semi floating, moving peg system by that time. One other dimension of what we were doing that became quite important was, this was a period when some assessed that the Americans were

Library of Congress

going to overwhelm Europe. In that in this respect there was a rivalry with Treasury. I was convinced that we were giving far too little attention in the Department to U.S. foreign direct investment. By this time Tom Andrews had come in as deputy assistant secretary and I pushed for the better part of the year to have an office of international investment affairs set up under his authority. He never agreed to it. He didn't feel that it was that important, but soon after we left, it was set up. It was long over due and at the time I originally proposed it, it would have been a great opportunity for the State Department to take the lead in a little niche area that Treasury was completely or seemed quite disinterested in. So I became very aware of the weakness of the Department in its ability to play a leading role.

Q: What was the rationale and concern about American investment abroad?

HEGINBOTHAM: There were a great many ramifications that the people were not totally clear about. The question of whether we were exporting jobs; what the impact was there on the U.S. balance of payments at this kind of activity; whether there were various conditions being applied to foreign direct investment in some cases by the developed countries and in other cases much more so by the developing countries. A question of how the United States should deal with what had subsequently come to be called the trade related investment systems which requires the investor either put a plant up in the country or to export X percent of his production. There were lots and lots of issues. The international economic impact of foreign direct investment was really at the very early stages of rapid development and assessment. Then, of course, there were all the issues associated with the OPEC and the oil investments - alternative energy sources-. There was just an incredible variety of stuff going on.

Q: Was there any concern at the time that the European economic community as it developed, might not be a particularly good thing for the United States. In that we might be excluded or be made less competitive with them on the market. Was that a concern at that time?

Library of Congress

HEGINBOTHAM: Suspicions were in the wings. I think it was sort of a minority concern focusing especially on the common agricultural program. The main preoccupation was that, in this particular sector, the Europeans were really totally out of control at that point. They were locked into a system that threatened to do severe financial damage to the community and was certainly detrimental to our interest. But, I think the agricultural sector was viewed as an exception and an aberration; generally speaking we thought the Europeans were yet to be encouraged to do still more. There was an associated concern that in the foreign investment area they might start imposing some conditions and restrictions on U.S. foreign investment, but that was seen as a sort of new thing that could be dealt with on its own terms and on its own time.

Q: How was OPEC (Organization of Petroleum Exporting Countries) viewed?

HEGINBOTHAM: OPEC created an effective cartel which affected both the developed and the whole developing world, premising their policies on the notion that they had been had been tricked by the developed world. That began whole idea that a new economic policy should be developed to establish a series of cartels, imitating OPEC, in order to try to get a fairer deal for what the commodity production. This was also a period of the Club of Rome, if I recall correctly, which came to the conclusion that the world would simply exhaust all the resources of the world over some visible period and create economic catastrophe.

Obviously OPEC was a major problem for us and we spent quite a bit of time focusing on what the Middle East was doing. The biggest challenge for the Office of International Monetary Affairs was generated when a part of the world created a cartel, which then was able to extort tremendous amount of income from the rest of the world and run up huge, huge surpluses. The normal international adjustment to that situation is that the producers' currencies go up in value and the rest of the world's currencies go down in value until a balance is restored. That would have necessitated such a tremendous depreciation of the U.S. dollar at that time, that it was considered a non-viable option; that gave rise to the effort to assure that the petro-dollars (or oil dollars) would be recycled as aid, or loans,

Library of Congress

or credit, or balance of payment support, or any number of programs which would result was in a less hostile relationship. As long as the producing countries were cooperating in recycling these surplus funds and preventing or precluding the kind of dramatic exchange rate that it would have resulted otherwise, the cartel did not pose any monetary problems. But it clearly led in to a period of great tensions and probably generated the worst period of relationships between the developing and the developed worlds at that point, because OPEC's actions basically dramatized to the world that trade for agricultural and mineral products had been deteriorating in favor of the goods of the industrial world.

Q: In 1970, where did you go?

HEGINBOTHAM: I then went to the Brookings Institute for a year. I had an opportunity to take a federal executive fellowship. I had proposed to the Institute that a study of U.S. foreign investment and its implications for U.S. economic interests be undertaken. Unfortunately, that was probably the least successful, the least productive period of my Foreign Service career . Partly, it was my fault because I wasn't more aggressive in finding somebody at Brookings who might interested in this issue. Consequently, I really didn't have a mentor there. I spent most of my time in the Department's library and in other libraries and very little time at Brookings, which was most regrettable. The Institute didn't really provide any facilities or give me any real sense that I had a home there; so the year was kind of a downer. I did make one very interesting discovery about which I tried to write an article for publication, but was unsuccessful at that. I discovered that there was a lot of under-reported American investment. I made some estimates as to just how substantial this was and it was something like one-third higher than was ever shown in the official statistics for a number of technical reasons that had to do with the way the Commerce Department kept the numbers. My year at Brookings was a year of education, but it didn't lead anywhere.

Q: In 1971, where did you go?

Library of Congress

HEGINBOTHAM: I was then assigned as head of the economic and commercial section of our embassy in Indonesia.

Q: You were there from when to when?

HEGINBOTHAM: I was there from 1971 to 1975.

Q: Now this is six years after Sukarno had been eased out and was replaced by Suharto who is still in charge. Can you describe how you saw Indonesia in 1971 and any changes that occurred during your tour?

HEGINBOTHAM: Indonesia figured to be a very exciting place to go, because with the advent of Suharto, the U.S. was able to resume its economic aid. There was essentially a policy of doing away with the Indonesian policy of bullying its neighbors and pursuing a lot of selfish nationalistic interests. It was assumed that Indonesia would resolve all frictions with its neighbors would develop a cooperative spirit in the area. Therefore not only was Indonesia working intensively on economic development, but there was also the beginnings of the Association of Southeast Asian Nations (ASEAN). I was very keenly interested in the prospect for regional development. When I began as economic counselor there, there were about 45 to 50 American companies working in Indonesia. When I left there four years later there had been over 250 American companies established in Indonesia. So, it was a period in which there was a great deal of U.S. investment interest and activity.

Q: Who was the ambassador at the time? I imagine there were several.

HEGINBOTHAM: Frank Galbraith was the ambassador when we arrived there.

Q: What was your impression of how the Embassy was run? As a counselor of embassy you were part of the country team and you were part of the executive arm of the embassy. How was it run when you arrived and were there any changes during your tour?

Library of Congress

HEGINBOTHAM: We had a pretty substantial operation. We were in still the glory days of AID; so there was a very large AID mission in Jakarta at that time. There was also quite substantial military assistance program run by our the military mission. USIA was fairly substantial. So, the embassy was not a small one; in fact it was quite large with varied activities. In a country of then 70 million people we were a major player. The ambassador seemed to run a good ship. He was interested in matters pretty much across the board. He was very business oriented; it was not difficult to arrange meetings with him for visiting significant business visitors. I really didn't have any I didn't have a solid benchmark for comparing how an embassy was run, but it seemed to be we had top drawer staff in all areas. It was just a very professional operation as far as I could see.

Q: What was the government of Suharto like from your economic ancommercial perspective at that time?

HEGINBOTHAM: When I first arrived, I had to learn to appreciate how extensively and deeply ingrained the socialist mentality was in Indonesia. Suharto had something like 120 ministers and just an incredibly complex governmental structure. He ruled by decree, so the whole thing was pretty much of a nightmare when American companies arrived—often with their lawyers. The Indonesians were pretty sporadic and dyspeptic about which things to enforce and which things not to. It was very hard to sort of persuade people that lawyers were not necessarily. The issues were not legal, but companies had to out what how the game is played. Basically, there were the politics of Indonesia which Suharto was quite masterful at managing in terms of keeping the revolving door going in the military so that no one was able to establish a little fiefdom might challenge his political primacy. At the same time he had the wisdom to employ a group of outstanding technocrats mostly with U.S. PhD. training in Brooklyn and MIT and half dozen other outstanding US educational institutions. They were clearly fighting tough up-hill battle against the bureaucracy. When you have a bureaucracy as extensive as it was in Indonesia and when you had as much opportunity for discretionary decision- making as existed then, the corruption problems

Library of Congress

and the problems that Americans had to deal with were just horrific across the board. At the same time it was quite clear that the technocrats recognized these problems and were trying to nibble away at them. Generally, they got support on the important issues from the president, even if it sometimes ran against his political interests. There was also sort of a second government if you will, in the hands of General Evenosuetoa who was the president or, director- general, oPermenena which was the state oil monopoly with the growing investment and activity in oil and later in natural gas. He had his hands on, not only on the oil taps, but on the money taps. So, he became increasingly a power in his own right.

Q: Did you find yourself getting whip-sawed between the two?

HEGINBOTHAM: Yes. I guess I should give a little flavor of what the economics section involved at that time. Of course, we had a substantial commercial component to it, but one of our officers was the petroleum reporting officer; another officer was covering minerals, other than petroleum and others were focused on more general and commercial matters. I had a particularly aggressive and dynamic petroleum officer. We were able to keep tabs on what was happening quite well, and to be quite influential, I think. We had some very aggressive American banks who were increasingly willing to lend to the government on a sovereign risk basis and Permanena in particular.

Q: Excuse me. Could you explain what a sovereign risk basis is?

HEGINBOTHAM: Yes. A loan on which you are not looking to the potential success of a particular project or necessarily even to the financial stability of the country as a whole, but to the expectation that the government would not permit default and tarnish its name and ability to borrow further in the market place. Basically the banks were counting on the government to bail out any problems if they happen to occur.

Gradually, as Permanena became more and more of a cash cow for the Indonesian economy, banks began to see the oil monopoly as a sovereign risk in of itself and began

Library of Congress

to loan to Permanena for various projects. At the same time, Suharto was quite happy to task General Ignew with carrying out certain projects that he didn't see any particular way to finance in other ways. He didn't worry and he didn't ask Ignew how he was going to get the money to do it, and so some of the banks begin to finance some of this kind of project as well, figuring that eventually the oil money would be there to pay for it. The IMF and we in the embassy got very nervous about the levels of foreign debt that the combination of the Indonesian government and Permanena were beginning to amass.

I am going to get a little bit technical here for a few minutes because the story is fairly spectacular. We began to notice that some of the smaller regional banks got wind of this; they also began to see Indonesia as a gravy train; so some of them came in and made some rather generous loans. The margin of risk interest that Indonesia was paying over the lending inter-bank operating rate was very thin for a country as much uncertainty as it had. Some of the banks began to put in what were called "cross default provisions" on their loans so that their loan would be declared in default, not only if the government failed for some reason to make their payment to them on time, but if anybody else's loan in this cross default structure was not met on time. For example, the Republic National Bank of Dallas, if I recall correctly, had in its agreement with Indonesia a cross default provision which included loans to Permanena, which meant that - and other banks had similar provisions - if Republic were not paid, the whole structure could collapse and everybody could come in with their chips.

Probably about 1974, Permanena's borrowing had just really got out of hand and rumors begin to circulate that Permanena had stopped sending its oil revenues to the government and that there was the danger that these loans would be in default. I went to see the governor of the Central Bank and we discussed what this situation was. I met with him several times; it finally became clear that Permanena was going to default or had defaulted on a payment to Republic National Bank of Dallas. I went to see the governor of the Central Bank again to determine what his position was on this. Was the government, in fact, going to see to it that this debt was repaid or were they going to bail out. If they were,

Library of Congress

what were the consequences for the Indonesian government, the AID programs and all other issues of this kind. The up-shot was that the Central Bank governor told me that the government, off the record, was not going to let the default take place. But, he also told me that he was not going to make any public statement to that effect. I told him that my understanding was that all banks were about to call in all of their chips, unless they were reassured by the governor that no default would be permitted. They didn't want to be last in the line; they wanted to be first so they didn't wind up short. Things got very dicey. I had a couple of very late night, early morning lengthy meetings with the Japanese embassy minister-counselor as they had a lot at stake in this as well. I went to see the governor again and I told the governor that, I understood clearly why he did not want to indicate that he was going to bail Permanena out of this or any other loans. I told him however that he were willing to give me his personal assurance that the Central Bank would not permit this default to occur, I was in a position to get the U.S. banks to accept his pledge ,as transmitted to them through me, which would restrain them from declaring a default. Fortunately, he agreed to do that. I was able to report back to the banks that the governor had personally assured me that he was not going to allow any defaults and for some reason he took it upon himself to trust me to be the intermediary with that message. So, that was kind of an interesting experience. It was a huge amount of money involved in that.

Q: How did Indonesia get out of this fix?

HEGINBOTHAM: With a lot of encouragement and interest from the IMF. It really put the clamps on General Ignew and several of his projects were either postponed or canceled. Staff at Bopanas, which was the state planning agency, began to investigate some of the deals that General Ignew had undertaken and found out to no one's great surprise that there was a lot of water in these deals, particular with a couple of European countries. Companies had, made some pretty scandalous deals. They had to do some fast restructuring. Bopanas brought in some foreign experts to help reshape and restructure some of the projects. This event really scared the Indonesian government into recognizing

Library of Congress

that they had to get their fiscal house in order; from that point on President Suharto backed off of giving Ignew any more responsibilities. Eventually he was ousted, because of all the diversions.

Q: I believe that by 1970 the Chinese business community had been pretty well much decimated after Sukarno's earlier purge. What was the commercial side of the Indonesian economy?

HEGINBOTHAM: I don't know in terms of numbers what happened to the Chinese community during the riots and the military suppressions following the "night of the long knives." When I arrived, I found a substantial and extremely influential and basically dominant Chinese entrepreneurial class in place, which was doing very well. In fact, it would be interesting to trace back just how early this happened, but already from my very first days there it was well known that the so-called Tukans, who were the Chinese business leaders, were very cozy with Suharto. For example, Lens Sui Yang has been from that time to this very day his principle economic agent. All of the biggest businesses were run by the Chinese. There was a gradually emerging entrepreneurial class of native Indonesians, but so many were Chinese-Indonesian. Most of them had reinvented themselves with Indonesian names. This was not only true in business, but some of the major think tanks were headed by or had major leadership from Chinese- Indonesians.

Q: *Did they intermarry?*

HEGINBOTHAM: I never heard that described as a major means of integration. Certainly the assimilation was not remotely what it was in Thailand, nor was it quite the government supported conflict between the Chinese and the boomy pua trap in Malaysia. It was a rather more a below the surface acquiescence to their continued place n society even while the government was trying to do everything it could administratively and programmatically to try to encourage and build-up native businessmen. That has been a prolonged process.

Library of Congress

Q: Was there concern on anybody's part between, that the Americans investors were essentially looking for cheap labor to do things that had been done in the United States before? Was this a problem when you were there?

HEGINBOTHAM: That concern carried on from the earlier years that I had talked about. The peak of that came in the mid 1960s when there were restrictions placed on what American companies. But, that sort of died down. These developing economies are so grossly inefficient and expensive to operate in that the only kinds of goods that were being produced in Indonesia at that time those that hadn't been produced in the States for quite a while. I refer to textiles, a very limited amount of footwear, some basic chemical processing. Indonesia was able to into raw material processing on a fairly large scale which also minimized the job export issue, because you can't really prevent a developing country from developing its own resources. I don't think that was a "job exports" was a particularly big issue in the 1970s. The U.S. investments that were being made - even to this day - predominantly for oil, natural gas and mineral development. That does not raise the "job export" issue.

OPIC (the overseas project investment corporation) had to do its own evaluation whether it would provide any guarantees to U.S. investment based in part on the issue of the potential adverse effect on U.S. balance of payments effect from any project and in part of the political risk of supporting that investment. That was about as much as there was. I don't recall that ever limited a U.S. investment.

There are a few more subjects that I would like to discuss in relations to my tour in Indonesia. For example, the problems of income equity. We were at various points very concerned about whether the regime would come unglued; whether there was enough concern about the exploitation by the Suharto family which had become quite apparent by that time; the importance of American investment; the competition with the Japanese in the economy; the gross ineffectiveness of U.S. support programs for U.S. economic interests

Library of Congress

in Indonesia. That was a key issue because we were just completely out-classed by all of our competition in supporting U.S. firm in getting business in Indonesia.

Indonesia had began to grow fairly rapidly, as is so often the case, as an urban than a rural society; that is not unusual in Asia. Jakarta was the dominant force in Indonesia. As a result, a great deal of the development tended to concentrate at the west end of Java—from Jakarta westward. The result was also that the Suharto family particularly the wife of the president became known as Madam Ten Percent . She was known to be in on all the best deals. There were land transactions and a number of other activities which tended to reenforce some of the equity and income problems. There was a tight bond between the Suharto regime and the Chinese. There were tensions that were in differing degrees evident throughout Asia with the Chinese tending to do much better than the pre boomy or the boomy picture as they were called in Malaysia. The more rural and more remote areas were a great problem. There were large sugar plantations which were severely exploitive of labor. As our tour wore on - toward the end of 1974 and getting in to 1975 - there were a lot of tensions building up and we were very concerned that the political situation could blow up.

Japanese Prime Minister Kanoka visited Djakarta which gave rise to very rabid anti Japanese riots. They were seen as such, but the riots were also interpreted as having a very strong anti regime, anti Suharto cast. That shook the power structure up somewhat. There was a real concern that the whole situation would blow up, because the Indonesians are much like their volcanoes, they pent up these pressures and then explode.

Q: Indonesia going amok.

HEGINBOTHAM: Amok, exactly. That was one aspect of what was going on. One thing that I neglected to point out earlier was that on the international scene there were some things happening that were very important to what was going on in Indonesia. As I have mentioned earlier I had developed in the Office of Monetary Affairs a very strong interest in

Library of Congress

U.S. foreign direct investment policy. I followed that up at Brookings and then I witnessed the investment boom in Indonesia where American businesses grew by five fold in their numbers and much more in terms of their impact on the economy. That really steeped me in the problems of foreign investment even while watching the struggle we were involved in in competition with the Japanese for a role in the Indonesian economy. We found that U.S. Export-Import Bank was a very reluctant dance partner. Usually it would join the process only after somebody else had proposed outrageous terms which had basically been already accepted. With all the rip-offs that were going on in Indonesia, it got very difficult for Americans to do business, even if they offered the best of deals. We discovered in the work I did with the Harvard Advisory group that Siemens, the German company, had offered outrageous terms for the big huge steel project. There were huge kick-backs involved in that deal.

Q: How did you find out?

HEGINBOTHAM: The Harvard group was very much inside. You know one of the advantages of being an American was that it is easy to develop very close working relationships with local academic groups. The Harvard group was there advising the Indonesian government. I mentioned the tension and the conflict between the bureaucrats and the Indonesian economic team that Suharto had brought in from Berkeley and other American universities. Suharto didn't really care about the costs of a project if it gave Indonesia international prestige. There were these uneconomic deals that raised tremendous tension in the government. The Ibnews and the Ha bee bees were building up huge debts and undermining potentially the good work that the economists were doing. The Harvard advisory team did a lot of sleuthing for the economists to find out what was going on. After the financial crisis that I mentioned, they were about to pull one little financial card out that would cause the whole house of cards to collapse. The Harvard team went after these various deals with a vengeance, especially the ones that General Sutohe had been involved in.

Library of Congress

Sutohe was a general, a colleague of Suharto. He had been appointed head of the oil monopoly of Pernanema. With the oil revenues he was able and with the companies and the command he had in international trade and international investment, he was able to suck up all kinds of money for big deals and all kinds of special deals on the assumption that anything he agreed to would be backed by the Indonesian government, which was a fair assumption until the financial crisis and then the bluff was called. So, these tensions were very strong and the Harvard advisory group found the Siemens and other corrupt practices that had gone on. Eventually, Ignew was kicked out and the government got in to looking at some of the deals, where the money had gone and all these good things. That was exciting. But, the upshot was that I became very interested in the major defects of the EX-IM Bank program, the problems we had with OPEC, the project insurance corporation and just our terrible inability to really support American companies in a very competitive way, which was really putting the Japanese in the catbird seat.

Q: Could you compare and contrast how we and the Japanese operated?

HEGINBOTHAM: By this time, the Japanese had begun to develop a fairly large assistance program. The Japanese didn't have an AID mission, so they would ask the government what kind of projects they wanted financed and the Japanese companies were there to be sure that the Indonesian government understood what kinds of projects they needed most. There was a very tight and growing relationship between the Japanese assistance program and the Japanese investors; then the Japanese Export-Import Bank could come in and under cut all competitors. Not only were the loan terms quite generous, but Japanese did not flinch from making loans of amounts our EX-IM wouldn't touch, because they were too great. The U.S. EX-IM insisted on sovereign risks, on government guarantees, which the Japanese didn't care about. There were just lots of terms that made a big difference. OPIC was okay, but it didn't cover the things that were most valuable in Indonesia, which was the political risks in mining and in petroleum; that is where probably 85 percent of American investment in Indonesia was going.

Library of Congress

Q: Did you also find that you were inhibited by what have seen so often, particularly in military aircraft, where we can't pick one and say, go with the Grumman fighter as opposed to the Northrop fighter whereas the French would come and say, go with the Desalt fighter and that was it. They could support that, whereas we had to be even handed, even though we knew one fighter plane was clearly better for that particular country.

HEGINBOTHAM: That was definitely one of the issues, but I wouldn't say it was the dominant feature. I think the financing was really a more important factor. American companies were beginning to work with European consortia on the theory that if you couldn't beat them, join them.

One other thing I wanted to be sure to mention as background, because it carries on over in to subsequent career moves, was that we had the OPEC oil crisis which took place in the early 1970s after the Israel war of 1973. That put Indonesia in a favored position with the United States, because although it supported OPEC, it didn't impose all of the restrictions that the Arab countries did; Indonesian terms were somewhat more favorable to us. The oil crisis then gave rise to the period where other commodity producers, mineral and tropical product producers, saw the advantage of what the OPEC countries had put together. The new economic policy of natural resource producers began to try to create little mini cartels and create international agreements to control supply and prices. That was important, because Indonesia was sitting not only on tremendous energy resources, but on incredible untold wealth in minerals as well. The new policy was really a big boost to the Indonesian economy. One could notice the development in the process of one of the characteristic that haunts Indonesia to this day. I have alluded to it previously; that they tend to be so nationalistic and want to be sure that they are getting the best of deals that they often miss the window of opportunity before they realize that they've imposed conditions that were too tough. Ignew Su Toe developed a very innovative, flexible and very effective contract with the oil companies which was unique at the time and set a pattern for oil contracts around the world after that. The mining ministry was not; it didn't

Library of Congress

show the necessary flexibility and therefore often didn't conclude deals. There was the one huge deal out in Airongia that did go through, but a lot of the others fell through and to this day minerals haven't really done a lot.

Q: Did you have any feeling at this time, because it became very important just in the last few months in the United States, that the Indonesians, particularly the major financial interest there began to know how to operate within the American system, not necessarily political contributions, but in other ways.

HEGINBOTHAM: They didn't have clue one at that point. I don't think it mattered all that much, because what was really important to them were the AID programs and the U.S. military assistance and those things were working reasonably well. U.S. was generally leading those processes and was still the significant donor. They didn't really have a whole lot of political problems they needed attention. Even the Chinese at that time were not the big players as they are now, even on a regional basis. I would say that the Indonesians were much more preoccupied with making a fast buck in the neighborhood. The big transactions with the Indonesian and Chinese at that time were more likely to be in Singapore and nearby neighboring countries.

Q: Were we excessively concerned about unrest might over-throw Suharto which might precipitate a return to Sukarno in some form or other? Was that a theme that no matter what we did, we always had to keep our eye on what might happen?

HEGINBOTHAM: Suharto had been extremely effective at getting rid of any meaningful opposition. The concern really was more of a throw back to the immediate post-Dutch period when the 3,000 islands might just simply go their separate way, creating a chaotic situation. The feeling was that the anger against the Suharto family was such that there just that events might spin out of control. The military, of course, was by far the most cohesive force, there wasn't really much prospect that it would implode; it was much more likely that Indonesia would wind up with another military regime, but probably not

Library of Congress

a Sukarno type of regime. I've already alluded to the terribly socialist, terribly corrupt mentality that made Indonesia such a difficult place. For example, the East Timor problem had really come to a head during my time there and that was very tragic.

Q: Could you describe the East Timor problem at that time and how iaffected what we were doing?

HEGINBOTHAM: The effect of the East Timor on what we were doing was very remote. Timor is a far out of the way place. It was a part of Indonesia that just not been developed; it was very neglected, very difficult to reach, very isolated. When the Portuguese decided to pull out, it gave the Indonesian military a golden opportunity annex it without benefit of a U.N.-supervised referendum. We were put in a very difficult position, because practically no one recognized Indonesia's annexation of Portuguese Timor; the blood bath was horrendous; it was just really brutal. It opened a lot of eyes to the real nature of some of the military leadership in Indonesia. It was more of an embarrassment; it didn't have any direct impact on our efforts, but it was so difficult to be supporting what was going on elsewhere in Indonesia when you had this kind of behavior which was repeated in other parts of Indonesia, where different cultures existed.

Q: Did we try to ameliorate government actions in East Timor through our assistance program?.

HEGINBOTHAM: I'm not sure that we did. The situation was so horrific that AID just didn't want to be associated with anything that Indonesia tried to do in Timor. The issue was never settled. I mean, it was a constant state of warfare all during the time I was there. What we were doing was putting pressure on the Indonesians through canceling IMET, (the international military education program) which was one of the best programs we had for Indonesia. We tried to put the squeeze on them in terms of military supplies, rather than the AID program, because we didn't really want to put the pressure on through the AID program which might have undercut and discredited the technocrats That was the

Library of Congress

very group in Indonesia that you wanted to support and encourage; so I think it was a reasonably compartmentalized approach.

Q: Did we think about doing something for West New Guinea— IriaJava?

HEGINBOTHAM: I think not. I was distressed by our policies. I felt we should take much tougher position toward the Indonesians on Irian Java. There was a rebel group that was border-crossers taking refugees in Papua New Guinea to keep them away from the Indonesian authorities. They also were doing hit and runs across the border and I felt that that was going to grow and become a more serious problem. The problem didn't reach proportions that I was expecting. There were a lot of American missionaries there working with the natives. I'm sure we tried to encourage the Indonesians to be more humanitarian. We were heavily into the basic human needs as the basic justification of AID program at that time.

Q: And you left there when and where did you go?

HEGINBOTHAM: Mid 1975, I think. During my last year in Djakarta, we had a visit from the president of the overseas private investment corporation (OPIC). As I indicated this was the U.S. organization that provides basic political risk insurance and some financing for American foreign investments. The president, Marshall Mays and I had hit it off very well and I was doing good things for them out in Indonesia. At the end of his visit, he invited me to come back and take a position with OPIC as the vice president for development. I thought that would be great, because as I have said before, this was a continuation of my strong and abiding interest in foreign direct investment as a mechanism for development and many other things. So, I was very excited about that. That was one of many of my assignments that took place outside of the assignment process. I probably had fewer assignments that came through the assignment process than I did that outside the system. I came back to Washington and, I probably should check the record, but I think I went directly to OPIC and that was very exciting.

Library of Congress

Q: You were there from 1975 to?

HEGINBOTHAM: 1975 to 1977. That was a good period. I mentioned earlier that there was a Club of Rome which suggested that the world would be running short of resources and which supported a new economic policy which in part was to discourage a world forming cartels to control resources. OPIC for a variety of reasons didn't provide political risk insurance for mining projects or for oil projects; they were considered too politically risky. OPIC already had a tradition of making more money off of its insurance than it lost on its bad risks. In fact, it prided itself on never having to pay off any of its insurance policies. It was turning money back to the U.S. government. Part of its successes was that there were a lot of bad oil projects in tiny AID developing countries for which OPIC hadn't provided political risk insurance.

As vice president for development, I was responsible for a couple of different things. The most active aspect for some time was to continue to assure the United States Congress that OPIC was not contributing to the export of U.S. jobs through the support of U.S. foreign direct investment. We haven't talked about this before, but with the U.S. balance of payment deficit, there was a great and growing concern that U.S. direct investment was moving jobs abroad to lower wage economies thereby undermining the U.S. economy.

Q: Which is still a major political issue?

HEGINBOTHAM: It's still politically, but it has taken a different justification. It is now reviewed by the labor movement for unfair labor practices and by others for child labor and human rights. We don't hear quite so much today about the job exports, but the concern is still there. One other function in the development division was to develop new policies for OPIC. As a result of my Indonesian experience, I was a firm and devout believer that U.S. direct foreign investment far from being detrimental to the U.S. economic interests was the most essential feature of our international involvements. Inevitably we saw case after case after case that real export levels did not really improve until there was an investment

Library of Congress

presence. What would happen is that a board of directors of a company couldn't care less about exports to a particular country, because the company didn't have any assets invested there. But, as soon as the board had some assets invested in the country, it really started to really paying attention. More often than not, maybe ten percent of the exports would be tied to that particular investment and 90 percent was all the other stuff that that particular country imported, because it had discovered that by the U.S. company's virtuous presence, there that there were always markets. I was an easy touch for that role at OPIC, because, as I said, I was a true believer. I was not completely indiscriminating. I could smell a bad deal from a good deal, but in final analysis I felt our deals were very positive. The much more fun and active aspect of this work was that I brought in a good intern or two. We worked on developing a new program for OPIC and sold to the Congress the idea of supporting OPIC political risk insurance for both mining and oil projects. So, I was able to see during my three years a program that went from zero to full fruition.

Q: were you getting support from the outfits like from the extractive industries in the United States. Were they strong supporters? Were they your allies?

HEGINBOTHAM: Interestingly, we didn't have to think or worry too much about that. It was the right time in history for to do this, because with the OPEC crisis and because of the new economic policies, there was a lot of national interest wrapped up in developing alternative fuel sources. This meant that we approach other countries, and by the same token, I think the political risk was somewhat less, because it was really to their interest to play it straight and make projects work and be sure that they could pick up some of the OPEC market share or that of some other mineral resources. One of the ironies is that a when the Republicans come in to office, the first thing they want to do on the international side is get rid of the EX-IM Bank and OPIC, even though private business is its main benefactors. If I recall correctly we were in quite a struggle. There were questions about OPIC's survival, but happily we overcame those. We had a good congressional relations operations. No doubt we had at the Marshall Mays level we had support that he had

Library of Congress

mustered, but it wasn't at all critical because we had the right logic and the right moment in history going for us.

Q: In this 1975 to 1977 period, can you point to a couple of place where you wouldn't insured an investment.

HEGINBOTHAM: I hope I'm not indulging a bias here, but Africa was always one of the worst places to go, because their political structure and substructure was so fragile and the depth of leadership was so precarious and so violable. One just had to have severe doubts. One of the very first oil projects was done in Cameron, which it was believed to be one of the sort of relatively few quite places; it has not been in the news on any of the horror stories out of Africa. That was probably a good bet. Central America was both, among the better and among the worst prospects at the time; South America was still trying to emerge from its military dictatorships.

Q: There has been a lot of explorations too during the military times.

HEGINBOTHAM: Yes. Some of the worst places again - Haiti, and Jamaica - raised a lot of concerns about whether some out guaranties were at risk. So, there was a lot of CYA going on.

Q: CYA in bureaucratic means to "cover your ass," to protect yourself.

HEGINBOTHAM: Oh, is that what it means? I never knew.

Q: We are worrying about people who make looking at this oral history in the 25th century; they might not know that.

HEGINBOTHAM: Asia was a risk; it was still in major developing mode. It had lots of problems. There weren't any bargains evident which was one of the things that made OPIC interesting, because one really did have to take a close look at what was going on.

Library of Congress

Q: When you're talking about taking a close look ,where did draw you information?

HEGINBOTHAM: The project promoters were required to come in with a proposal which required very elaborate accounting and explanation of the project. That was the point of departure, but then we checked in with the State Department and AID and anyone else around town who might have some insights as to whether the proposal was for real or not. By and large, the history had shown the projects not to be too bad. One of the great merits and demerits of American business abroad is that the vast majority of it is done by the major corporations which were increasingly falling into the hands of lawyers and accountants and people who didn't like to do anything that was likely to create problems for the corporate logo, which had this world wide image. So, by in large, one didn't find too many highly questionable outfits that to deal with.

Q: How about places like Iran at that time? Was that considered good safe place to invest?

HEGINBOTHAM: The Middle East was so caught up in the politics of OPEC that few investors were interested. Furthermore, most of these countries weren't eligible for OPIC financing anyway, which made it easier, because their per capita were just way beyond our limits. Sometimes I am confused between OPEC and OPIC because they were so inter-twined at that time; you couldn't separate them. OPIC is one of the very few organizations in government that draws about half of its staff from the private sector for its personnel and half from the government. It has a mixed government private board. It got the best of cross breeding. One of the things was that within OPIC, there were people who came from outside; they had come from Wall Street and other places and they knew business and knew the insurance business. That meant that within the organization, you had a good balance of personnel with wide experience.

Q: You could pick up the phone and call someone who had returned to either the private or the public sector. You had a very "good old boy" network.

Library of Congress

HEGINBOTHAM: The most painful part of leaving OPIC was that I knew I was going from a part of the government that had class back to the poor Department of State which had absolutely no class at all. I don't blame the State Department for that; I blame the idiots in the Congress who cannot see that if you are going to have a meaningful diplomatic presence, you have to be able to do things with a style fit for a country that has some power. We certainly did not do that in Indonesia. I was hugely out of pocket trying to support our representation activities. Enough of those snide comments.

Q: Then you left OPEC in 1977, and where did you go?

HEGINBOTHAM: I was very happy at OPIC and had no intention of pulling up stakes when I got a call from an old friend from Vietnam days, one Richard Holbrook. He had just been asked to become an assistant secretary in the Department.

Q: This was for Far Eastern?

HEGINBOTHAM: For Far Eastern Affairs. I think he called me and I told him I would have to think about; I didn't know whether I was serious when I told him I would think about it because the job he offered me was exactly the job I was hoping to get sometime down the road. Didn't think I was quite there yet. That was the deputy assistant secretary for economic and commercial affairs in East Asia. Dick called me and I told him I would really like to think about it, because I was having such a great time; I thought OPIC was such a great organization and we were doing such exciting things. We were opening new areas of business, etc. So, he had Phil Habib, the undersecretary, call me. I thought that was pretty amazing. Phil called to persuade me that I should come on board and take this job and I don't think I hesitated very long and accepted.

Q: So, this is the Holbrook team that came in with the CarteAdministration? He'd been out and out of government?

Library of Congress

HEGINBOTHAM: Right. He had been in the private sector.

Q: So he came back in 1977 with the Carter Administration. When were you in this East Asia job?

HEGINBOTHAM: From then until sometime in 1980.

Q: 1976 to 1980. Pretty much through the Carter period. What were your principal responsibilities?

HEGINBOTHAM: The one really over-riding concern that the Department had at that time was the American withdrawal from Vietnam. This was the kind of concern that Dick brought in. I know a lot of it was Dick's emphasis, but certainly it was a concern of the Carter administration broadly. Our withdrawal from Vietnam raised great concern that the Asians would resort to an arms build-up to balance a power vacuum created by the sense that the United States was really pulling out of Asia and that we were tucking our tail between our legs and pulling out across the board. There was a great hope in the Department that the administration do everything possible to try to persuade Asians that this was not the case and that we were a Pacific power which intended to remain as such. Virtually everything we did was oriented through that main broad objective.

Q: What was your impression of the Democratic Carter administration which had taken over from the Republicans. There is usually an awful lot of fumbling around in an effort to do things differently. I was in Korea at the time and we were terribly concerned about promises that Carter had made about during the campaign about withdrawing the 2nd division.

HEGINBOTHAM: The one really serious and obvious misplay that that administration made was that was that decision.

Library of Congress

Q: It sounded like one of the facile things that you can say in campaign even if you really don't know the territory fully.

HEGINBOTHAM: It's the Clinton equivalent of coddling the Chinese. Clearly this was, as I was saying earlier, the one really major blunder with which the bureau had to deal with. Dick was very quick to do all he could to appeal the decision and to try to get it reversed. Dick, incidentally had a very good system in the bureau which harked back to his Vietnam days. He very quickly developed a little brain trust, consisting of Mike Armacost who was in the Office for International Affairs at the Defense Department, someone from Policy Planning and someone from the NSC. Dick had a little coordinating— sort of sub cabinet— through which he tried to build consensus so that all the agencies approached the White House from the same vantage point on Asian issues. Although this issue was not directly of concern to me, I know that Dick was very vocal in trying to get the Carter campaign promise reversed.

Q: When you came in, was it immediately apparent from Holbrook that this was something that we really couldn't do?

HEGINBOTHAM: Absolutely, yes. There was no question Korea decision, if allowed to stand, would have broader ramifications in terms of what the Japanese might do in rearming and what Chinese reaction might be. Our withdrawal from Korea ran completely counter to Holbrook's basic tenet which was to convince the Asians that we intended to stay in the Pacific.

Q: What did you do? How did you approach what you were doing and how did you go about it?

HEGINBOTHAM: I had been around the circuit with international monetary affairs; I had worked with Treasury before; I had worked with the AID program; I had worked with the Commerce Department. I had personal familiarity with most of the economic agencies

Library of Congress

of the U.S. government. I had worked with the Federal Reserve Board. I was concerned that the U.S. should develop a coherent, cohesive approach to Asia at a time when we were under pressures to reduce foreign affairs budgets - e.g. the AID program was being cut. We had to find the most effective use of the diminishing resources which required closer than normal coordination. The second problem was that as it became clearer that our primary emphasis was to persuade the Asians that we intended to remain a Pacific power, those of us who were sitting around the room figuring out how to do this when clearly emperor had no clothes. We didn't have incremental amounts of aid that we could give. In fact, we were having to cut our aid, both economic and military, so that we didn't have the tools on the economic and commercial side as I described in Indonesia. It just became extremely clear that we didn't really have anything to go with. I organized a task force and called together people from across the government. We used to have regular, as I recall, monthly meetings—strategy meetings during which we would brain- storm how we could we take all of the disparate programs in existence and put them into something that began to look like a coherent program which would further signal that to remain in Asia. I was particularly concerned with the difficulty we had in working with the Treasury Department, because it had its own little agenda which very rarely encompasses the trade implications of the policies they were following. Only when Fred Bergsten came along, I think Treasury began to participate in a really meaningful way. I tried to represent our interests as effectively as I could in any interagency meetings. Eventually we evolved the concept of identifying all of the Asian countries areas where we had pending problems or pending agreements that had been languishing and not going anywhere. In addition we had a sort of a two pronged approach. We first tried to identify all the programs that we had and looked how we could make them more visible so that they would have a greater impact. As I said earlier, the second thing was to pull together a list of all of the activities that were going on which were on dead center. At that point we begin to work with the White House and in particular with Bob Strauss who was U.S. Trade Representative. We began to work and coordinate closely with Bob Strauss. I had a unique and privileged position as a DAS, because it wasn't long before Dick told the secretary and all of his

Library of Congress

colleagues in the government that they did not need to contact him on economic and commercial affairs. He wanted me to speak directly for him and to represent him directly, even in meetings where he would normally was not going to be present. As a result I was able to work very directly with the White House and Bob Strauss. Dicks's support and confidence affected my staff because they in effect became White House staff aides. We were literally staffing Bob Strauss at the USTR.

The second thing that was really very, very fascinating was working with the coordinating group. We developed an action agenda for the entire U.S. government. At this time, the very first word processing units began to come in and there was a little thing called a Viadeck The Viadeck was the first attempt to use a computer; they developed some word processing software. It was a computer, but essentially it was good for absolutely nothing but word processing. I was able by type my own papers directly on to the Viadeck and make the corrections, allowing me to get the paper out the door the same hour or at least on the same day. I was able literally to take control of the interagency process by just being on top of the paper work. Everybody else had to dictate their papers which had to be typed by their secretaries, and then reviewed and probably in most cases, retyped.

Our work with Strauss eventually gave way to the idea that we should work with the office of the vice president and put together a package of deals which vice president would then offer to other countries during make a trip around the region.

Q: You are talking about Walter Mondale.

HEGINBOTHAM: Right. The idea was for Mondale to go around the region visiting all the countries, signing the agreements that had been pending, closing the deals that had never been closed, and in the process, trying to make a visible demonstration that the U.S. was very interested in Asia in general and each country specifically. We also put some projects together that involved some incremental aid, in part because ASEAN (the Association of South East Nations) was just beginning to be active in areas other than trade. So, we

Library of Congress

worked with USTR on various trade issues; we worked with the vice president's office in organizing the trip to fit into the basic concept of what we were about to do. That trip came off; it was very successful. I was privileged to go on the trip and that was very exciting because we went even to New Zealand, which is one of the countries that always complains about never being included. That was above and beyond the call.

Bob Strauss was the real eminence in economic affairs outside of the secretary of Treasury. We were finishing the Kennedy trade at this point. Strauss remained in government with tremendous power until the end of the round and then he withdrew. At that point, through Dick, we reattached ourselves to the White House through the summit coordinator who was Henry Owen. We sort of shifted our staffing support function to Henry Owen. That made a lot of sense, because most of the summit issues at that time were economic issues that revolved around the Japanese problems. After the end of the trade negotiations, it was a natural transition for us from USTR to the White House.

Q: How engaged were Carter and Vice President Mondale on Japanestrade issue?

HEGINBOTHAM: Not very. There was no point or there wasn't much need for them to be. Strauss had such clout in Congress that there was no need to get the president and the vice president engaged; you needed to get the Congress on board and Strauss carried all that water. He had no problem. He had to convince the president that the terms of the deals he was cutting were viable and reasonable, but he knew the Congress and he knew what was going to sell up there. I am sure he had no problem persuading Carter or Mondale on the terms of any deal that he might have been cutting.

The Mondale trip had a real positive serious impact in persuading the Asians that we were serious about the relationship them. This was during a period when we were suffering from major government fiscal deficits and from major balance payments deficits. Therefore, within six months of the trip, the agreements that involved money, were undone by the combination of the Treasury Department and the OMB. Fortunately the vice president

Library of Congress

himself had conveyed that some of the agreements involved significant financial problems. I learned, much to my regret, that the power of foreign policy resided by default in the Congress and in the Treasury Department and in the Office of Management and Budget. That meant that the Department needed extremely adroit and aggressive management if it were going to have much influence in the process.

Q: Did you get any repercussions on our reneging on these promises?

HEGINBOTHAM: In all honesty, none of the deals were earth shaking. What we were seeking to do was by the cumulative quantity to achieve a critical mass that got people's attention. That warranted a vice presidential visit but I would be very hard pressed to tell you now what any of those agreements were. I would have to say in retrospect I don't think that any of them would rewrite history, even if they had been fully implemented.

Q: I would think that you were deeply involved in our trade problem with Japan.

HEGINBOTHAM: I was. I spent probably a third of my years on Japan. One of the reasons that so much of our early work was with the U.S. Trade Representative was because we were constantly involved in the U.S.-Japan trade relationship. That was extremely interesting. I was the first deputy assistant secretary for economic and commercial affairs that I know of who was not a Japan specialist. That position had always gone to a Japan specialist which I was not. I made a lot of trips to Japan. We had some very good people on the Japan desk. We had some very good people in the embassy. : Alan Romberg and Nick Platt worked on the desk at different times. They were really excellent. We were very much involved with the negotiations in part because Holbrook was so adept and so far superior to almost anybody who was an assistant secretary was in his ability to develop relationships on the Hill. There was a lot of activism on the Hill including a lot of proposals that would have really done a lot of damage to the U.S.- Japan relationship.

Q: Retaliatory actions? HEGINBOTHAM: Retaliatory and unilateral.

Library of Congress

Q: We're speaking at a time, for the record, that there was then and still is a horrendous trade imbalance between the United States and Japan, which gets us mad as hell.

HEGINBOTHAM: Yes. At that time, it seemed, very large; now it seems that the deficit at that time was quite small as comparison as what it grew to be. We were very obviously very concerned about that. After a few trips to Japan I became very frustrated with the Japanese who seemed to have - and still do - an incredible capacity for resisting changes that really would have had no substantial impact on their economy. Then once they finally agreed, people were so fed up that they haven't done it sooner that they get no credit for it. This was a pattern that was so evident to us who worked on that trade relationship. We worked on individual issues, with USTR in charge of most of the direct negotiation. I was concerned that our ability to assess the balance of payments aspect was not as good as it should be.

Let me just mention briefly the interagency political problem. Treasury had the monopoly on determining the balance of payments and economic forecasting. I would go to Japan and sit down with a whole variety of embassy people who would help me to get together with a group of economic forecasters from the various Japanese security houses and elsewhere. I became increasingly frustrated with the quality of Treasury's balance of payments forecasting. I discovered that the Central Intelligence Agency had a superb economic analysis unit which had its own model in their main frame. We began to work very closely with the CIA, which was refreshing for them, because this outfit had never had this kind of direct policy involvement. Part of our ability to reduce a lot of Treasury's influence was by finding the modeling that CIA did which I felt, was vastly superior to what Treasury was doing. That helped us to shape our policy and frankly, I took a tough policy line toward the Japanese in this period. I had four reasons for doing so; one, because I had seen how the Japanese behaved in Southeast Asia; two, I had no vested career interest in Japan; three, I was very frustrated by what I saw in Japanese behavior; and four, there I was concerned that if the administration did not take an aggressive control of

Library of Congress

foreign policy then I was sure that the Congress would run the American foreign policy. That is a lesson that I am not sure the Clinton administration has yet learned. So, we were very active; I was very active in briefing the key figures on the Hill on what our objectives were and what we were doing; we closely coordinated with USTR.

The Japanese have a wonderful tactic of sending unofficial emissaries of very high levels—people who have no official governmental status—who would go to see the various heads of various U.S. government departments and agencies. They would look for the weak spots in the policy development process and they would make their own head count as to where the different agencies will come out on policy proposal. This was killing us, because the Japanese could then bypass us or they would design their policy so as to appeal to the elements in the U.S. government that would support them. Through the inter agency group that I organized, we literally wrote a script that cabinet members would follow for any Japanese visits, official or unofficial. We took care not to preclude a department or agency from taking a position on issues which fell under their jurisdiction. But, as far as the rest of the issues were concerned, everybody read from the same script. This blew the Japanese tactics because they had never encountered this kind of situation before and they couldn't penetrate it and they couldn't figure out how to beat it.

Because of our close working relationship with the USTR and our concern that we were getting nowhere with the Japanese on the individual negotiations, we finally evolved a policy to press the Japanese at the highest levels which would have required substantial pump-priming for the Japanese economy to build it up their economy to increase their imports. A guy named Richard Rivers, who was the deputy counsel for USTR, and I were tasked to go to Japan and deliver this new policy approach. We actually met with the prime minister which was quite extraordinary for a deputy assistant secretary I don't know how often that had happened before. We met with the prime minister and we took a very tough line on U.S. concerns and interests. But the Japanese defeated us, because Dick was very concerned that there that we not breach what he referred to as the “fire wall” between politics and economics. The Japanese, as is their want, did want us to hold a

Library of Congress

press conference. The Japanese held the press conference and, as usual, pulled out all the emotive stops and made it look like a tremendous crisis in U.S. Japan relations. I got a telephone call at three o'clock in the morning from Dick Holbrook and I know the conversation was bugged. He said that he thought the situation had gotten too dicey. The secretary of the Treasury was very upset and concerned about events and felt that he was being undermined in his relationships. He would call his counterpart in Tokyo, which I thought was a really serious defeat. I think it was very destructive to our credibility.

Q: What was your impression during this period of the Japanese negotiating techniques? Was it orchestrated, or was it a natural Japanese bureaucratic response?

HEGINBOTHAM: First of all they had the tremendous advantage, because it is very easy to negotiate if you don't want any change; all you have to do is sit tight. Our ability to threaten them was greatly reduced since the Nixon shocks of refusing to export soybeans and other things of that sort; he also introduced a surtax on imports. Since that time, people were not disposed to make threats so that we didn't have any really big sticks to wave and the Japanese were superb. They wanted to engage in quiet diplomacy, but that was the last thing they did. As soon as there had been a discussion or a negotiation they would go out and brief their press which would carry the story the next day with only the Japanese side of the story. After my time, very wisely, the Department became very aggressive at holding its own press conferences in Japan; I think the U.S. government as a whole did more of this. We did have the clout of Bob Strauss who had tremendous rapport with the Hill. We did better than we might have done in light of the situation. I observed time after time the Japanese would extend the barriers, like the Maginot line. We would negotiate the termination of one barrier only to discover that there were five additional rows with the equivalent effect right behind that one. It was just really a hopeless situation.

I was toying with the possibility of selective retaliation, but I could never find a legal basis. I was not a great maneuver on the Hill, so I was never effective at ginning up legislation

Library of Congress

with people up there. As I was about to wind up to go out and do something else, I was developed what later became the structural impediments initiative. The idea was that since there was no way that we were going to defeat these endless Maginot lines, the only way we were going to have any impact on dismantling trade barriers was to really bring about structural changes in both economies. I could see some potential for real structural changes in U.S. economic policies and I felt that it was possible to negotiate some really meaningful changes in Japan. I was also, to a limited degree, a follower of the Fred Bergsten school which maintained that failing anything else, a change the exchange rate might be sought. If the yen appreciated, than that was the best prospect we had to demolish some of trade barriers. That was not a very good deal for us. It did increase the cost of Japanese exports to the U.S., but it never had much impact on Japanese imports. The Japanese were able to underwrite their exports because of the tremendous monopolistic profits that they were generating in the domestic market. Their ability to defeat the exchange rate mechanism was very strong, but that was by far the most effective means we had of getting a change in the balance of payments.

Q: Did the Carter policy of disengagement from Taiwan and closer relations with the PRC engage you?

HEGINBOTHAM: No. It was the offsprings of former American missionaries in China who had joined the Foreign Service who were excited by this policy because they saw that for the first time in their lives, there was a possibility of actually returning to China. That was the level of excitement rather than in any sense that this was going to be any great economic boon for us. The reform process in the PRC did not really begin until 1978-79 when Mao Zedong started it with an emphasis on agriculture which didn't seem to have a lot of immediacy for American interest. So the Carter administration policies on Taiwan and the PRC were more than the political.

Q: Did you have any involvement in pushing American tobacco out ithe Far East?

Library of Congress

HEGINBOTHAM: No I didn't. I would have had real problems with that.

Q: What about South Korea? Were there any issues that particularly engaged you at this time?

HEGINBOTHAM: No. There probably were the odd matters. I was interested in Korea because of my own sort of unofficial portfolio on foreign investment. I was persuaded that we had wonderful opportunities for joint ventures with the Koreans - beating the Japanese at their own game. What I only have to come to appreciate much more recently is how much the Koreans are so like the Japanese in wanting to do everything themselves. That even when, although it looked like there were really prospects for doing that, there really weren't. They're just so, so obsessed with controlling their own destiny.

Q: Did you get involved in the Tongson Park affair? (a scandal about payoffs in Congress revolving around rice. Did that cause you any particular grief?

HEGINBOTHAM: No. That was really so remote and so distant from the Department that I don't recall that it had any real consequence.

Q: What were some of the other things that engaged you during the 1977 to 1980 period?

HEGINBOTHAM: There were two other very fascinating activities. We were very activist group I must say, as I think back about it. The Association of Southeast Asian Nations was becoming an increasingly important player in the area and even beyond. It started out to be basically an avenue to integrate the region economically, but that was a non-starter. They began to discover that by coordinating policies and taking the united stands, they could have more measurable impact relating on the outside world. So, they became quite important in shaping the way the region went. I was persuaded, even more so than my boss, that Asia was the future, but that we totally lacked the kind of institutional relationships with the region that characterized our relationship with Europe. While in the International Monetary Affairs Office, I had been to Europe constantly—for an OECD

Library of Congress

meeting or a G-7 meeting or whatever. There were just endless numbers of meetings. The cabinet and sub-cabinet contacts with Europe were on a continuing basis. We were already reaching the point where our trade with Asia was equivalent to our trade with Europe, yet we had none of these institutional relationships. When you don't have meetings, the bureaucracy tends not to do anything that relates to these area. I felt that a major part of our inability to understand and relate effectively in Asia stemmed from this total lack of regionally related institutions. It was a difficult issue because there were still a lot of politics of the Cold War in the area. That tended to create divisive forces that separated these countries from each other and put them in to conflict with each other. On the other hand, there was an economic fear, with every country was trying to get ahead of its neighbors by one means or another. So there seemed to be a really good basis for trying gradually to achieve some kind of regional institution.

We worked very closely with the academic community. That was another very nice feature working for Dick who actively promoted and interacted with a wide variety of academics throughout the entire period. That was very stimulating and very useful, very productive. The academic community and the business community had both developed various regional organizations and had proposed more ambitious ones. It was my belief that we ought to try and take an active role in trying to promote something like that. But, it was also painfully clear that any initiative that was going to be taken by, worst of all Japan, second worst the United States, and third worst Australia, would meet with immediate ASEAN suspicion and rejection. The whole point of ASEAN was that Asians wanted to be independent of the major powers. . They didn't want to be run according to American or Japanese, particularly not Japanese, rules of the road. If ASEAN thought of taking an action that both the Japanese and the Americans supported, the idea was in deep trouble. Our challenge therefore was to craft something that could be developed as an American initiative, but acceptable to the Asians. It was my proposal that we should develop an organization that would be simultaneously stimulate a series of research institutes in each of the countries of the region with official participation, but not in official capacity. I worked

Library of Congress

to identify some of these institutes. This was the area where an interest already existed; so it was no great struggle to identify one institute in each country which would be willing to undertake this kind of initiative or would work together on this kind of an initiative. I then proposed to take a trip to the region to talk to government officials to muster support for our initiative. On this occasion I don't think Dick he mistrusted me, but he also wanted a less biased voice to make sure that I wasn't going to sell him on anything when I came back. He asked Don Zgoria to go with me on this trip. We worked out an agenda that took us around through the region first and then ended in Japan, because we had to try and persuade the Japanese of the extreme delicacy of this effort so they wouldn't upset the apple cart by being either too interested or too dis interested in it—either way. I had informal assurances that both Taiwanese and the PRC would be willing to consider participating with officials in an unofficial status if we got something like this started. We went around and talked to officials in all of the ASEAN countries and then came back to Japan and had what, I thought, was a very good meeting with the Japanese. I thought that everything looked really good and I was prepared to go back home and start the ball rolling by reporting that everything seems to be in place. I could specify who the players were in each of the countries and could recommend that we launch my proposal. The Australian were quite enthusiastic about the idea. The next thing I knew, when I got back to the States, I picked up the newspaper and discovered that Prime Minister Orita had taken the idea and had proposed it as an Japanese initiative. That kissed the whole thing good-bye. It went down like the Titanic at that point. It was just dead as a door nail, because the Japanese did exactly the wrong thing and just killed it absolutely dead. That I think, postponed the birth of the new organization by maybe a couple or three years. That was an interesting experience.

Q: Could you walk us through how something like that might havworked?

HEGINBOTHAM: Sure. The idea was first of all to emphasize that the organization - or the meetings (I've forgotten exactly what kind of terminology we used) - was to be strictly discussion oriented with a focus on upcoming issues which would important in the

Library of Congress

future and outside any current contentious policy issues. Under the aegis of the research institutes, officials from all around the region would meet in one place and one time, not representing their governments and with no official capacity, at least at the outset. These meetings were simply designed to permit contacts of Asians in the same field. Hopefully, they would begin to develop a community of interest. Since they had the inputs from the research institutes they had a reasonably objective and research base for the discussions. Papers would be prepared by the research organizations so that there would be a well prepared meeting. If a level of comfort could be reached, given the delicacy of the relationships in the region at that time, the organization should have good prospect of evolving by persuading people of the value of this kind of get-togethers which would focus on forthcoming issues. Without threatening any existing bureaucracy and having build a solid comfort level, I hoped that over time the organization could become more ambitious and therefore evolve into something more important.

Q: Were the Japanese trying to expand this in to something more?

HEGINBOTHAM: They were just trying to take credit for it. All the work had been done. Ohira wanted to put his stamp on the region. Japanese prime ministers don't last very long; this looked like a great chance for him to take an initiative to make the Japanese leaders in Asia. I don't have any inside information on exactly what it was.

Q: It sound from what I hear that the Japanese are a sort of an unreliable group to deal with. I know that one of the major concerns was that the Japanese they leaked like hell. I have always heard that deals with them with a great deal of caution because they have a hard time maintaining confidentiality.

HEGINBOTHAM: Japanese are extremely difficult to deal with. The power of the Japanese bureaucracy is enormous which until only recent times was unchallenged. They are very used to dealing as a very close tight knit club with nationally determined objectives. It seems that they don't really care much about what tactics they have to use as long as they

Library of Congress

get what they are after. There are sociologically factors at work as well, as best that I can understand. One is that they convinced about Japanese uniqueness; they believe that no one can ever understand Japan, because no one can ever really be the "Japanese" unless you weren't born there. Therefore. It is extremely threatening to the Japanese when a foreigner begins to speak Japanese fluently like a Japanese and apparently begins to understand the subtleties of the Japanese culture. At that point , the Japanese distance themselves as fast as they can if the person is in a capacity that could be in any way threatening. For example, a scholar who shall remain nameless for purpose of this transcript, who has a long history of working with Japan. Recently he took a sabbatical in Japan to do research and he was during an entire year so totally frustrated at getting any kind of meaningful information from the Japanese that he came back absolutely livid with the Japanese. He blows emotionally off the handle whenever you propose anything to him regarding any kind of cooperation. It is a very self defeating kind of mentality. It really creates great difficulties.

Q: Obviously when you have to deal with the Japanese, you have to deal with the Japanese and there's no one else to do it. But, in regional matters, I would think there would be a tendency to bypass the Japanese or to use in the Japanese as the scape goat or something. You say, if you don't deal with us you're going to have to deal with the Japanese or we're trying, I mean in other words, pay off the Japanese, because of this tendency. Did you ever find that happening?

HEGINBOTHAM: Issues come about in a somewhat different way. People frequently have the experience of having Asians disbelieve that Americans can be so uninterested in doing more business with Asia, because they would much rather do business with the Americans than the Japanese, but the Japanese are the only game in town. We are the only ones that Asians can work with because they have flexible rules. That is the kind of thing you frequently find. I don't think anybody actually threatened anybody with encouraging Japanese presence as an alternative, but it's very unfortunate that the Japanese are unable to accept their role in World War II. They cannot explicitly confess to what they

Library of Congress

did during in the first part of the 20th Century; that has just created tremendous distrust throughout the region.

Q: Did you find this that in dealing with Asians other than the Japanese, that the role which Japan played War II would come up?

HEGINBOTHAM: It is a major issue for the Chinese. Back to what I said earlier, the Asians would never trust any Japanese initiative in the region, because they did not want the Japanese terms under which Asia would develop. Beyond that perception was, and remains so to this day, that the Japanese are so effective at promoting their own economic presence and their own economic interests that they have made themselves the only real serious prospect for building business relationships in the region. The Chinese are a competitor with the Japanese in terms of volume of investments closed, but they don't bring along with them the governmental influence, or assistance.

Q: You were mentioning of institutional initiative. There was another thing that you were dealing with.

HEGINBOTHAM: Yes. I was extremely concerned. As I have mentioned, the exchange rate was the only thing that I saw as a very effective in allowing U.S. to compete with the Japanese and indeed the Japanese yen did appreciate during this period. In effect, the dollar depreciated against the other currencies of the region to the point that we had about a 20 percent devaluation factor - the valuation of the dollar versus a basket of other currencies in the region. But after observing the impact of this and because of my trips around the region, I was persuaded that it was going to take a lot more than a little devaluation to make American business competitive in the region for the reasons that I have already alluded to - e.g. that EX-IM was not competitive, that we had the foreign corrupt practices act; we had two laws which taxed Americans on their earnings abroad and Switzerland was the only other country in the world that did that. Sections 806 and

Library of Congress

807 forced the repatriation of a great many American businessmen from Asia- people whom you did not want to lose if you were going to be effective in business.

One of the other things I did was to take a special initiative to develop a closer working relationship with the American chambers around the region. I urged and encouraged all economic officers to work closely with the American chambers and I worked very closely with the U.S. Chamber of Commerce in Washington. At one point we went out to a APCCC (the Asia Pacific Council of the Chambers of Commerce) meeting; as a result of some discussions we had, I suggested that we do a survey of all of the major trading companies in Asia and find out what their view was of the competitiveness of American goods in the region and what were the problems and what was needed to make American goods competitive. From the end of the meeting at about 10 or 11 o'clock at night till about three o'clock in the morning, I drafted up a questionnaire. I brought it before the board the next morning and proposed that the economic and commercial sections of the embassies and the chambers in each country conduct this survey of the major trading companies in each country. They agreed and we did that; it was a stunning survey. We compiled it and we put charts together, and then we sat down in Washington with Oakley Johnson, the Asian guy at the American Chamber. I told him what I thought we needed to do with this information. The Commerce Department wasn't going to do anything about it; the Carter Administration was not inclined to take any major initiatives on trade promotion; the Treasury was sure as hell is not going to do anything with it; USTR didn't have the mandate. That left the question of what we would do next. The Hill was the only place to go with it. But where do we go on the Hill? There were to Commerce committees that could be approached. We finally decided that Lloyd Bentsen as Chairman of the Joint Economic Committee was the place to go.

Q: He was the Senator from Texas?

HEGINBOTHAM: The Senator from Texas— erstwhile vice presidential candidate. We made an appointment to go see Senator Bentsen and we took along our charts. It was a

Library of Congress

massive study. There was just a tremendous amount of data that we had collected. We had compiled it and summarized it. We made a presentation to Bentsen and at the end of the presentation we recommended that the Joint Economic Committee undertake a survey mission to Asia to do their own first hand assessment of the results of our study to see if we were on target or not. I was told by a staff aide when we left his office that Bentsen would never do this, because he had never made a trip abroad in his capacity as Senator, because he never wanted to be vulnerable to accusations of a "boon-doggie." I got back to the office about a half an hour later and the same staff aide called and said: "the Senator wants to make a trip. Please set it up." The reason apparently that made him decide to go was that he had been approached by both the U.S. Chamber of Commerce and the State Department. That gave him cover both of the U.S. government and of the business community. The business community was urging him to do this. So, this was no problem. We organized the trip. There were going to be four stops and we proposed certain places to visit that we thought would be useful. But, the Senator came back with his own list. We did not have Taiwan on our list, because American officials didn't go there. Bentsen had put Taiwan on the list. That made the Philippines the first stop; Hong Kong was the second stop; Taiwan was the third stop; and Korea was the fourth stop. I was invited to go along as the State Department escort officer and Oakley Johnson went along for the Chamber. In fact, my wife was invited to go along, which I thought was extra nice. We got one of the presidential jets. We had several meetings with Bentsen before we went out. In one session he told me in no uncertain terms that we will have no discussion of the foreign corrupt practices act or of section 806, 807, I think those are the section numbers, because "I've done all I'm going to do on these issueThey have passed through thCongress and therefore are history as far as I'm concerned." I said: " Senator, we'll do our best to get that message across to the U.S. Chambers, but these meetings are going to be organized by the Chambers; they are going to include government officials, private sector people, etc. All we can do is deliver your message and make it clearly understood that that's your wish." He said okay. We flew to Manilla only to find that the Singapore Chamber had flown in a delegation who was going to make a presentation on one subject

Library of Congress

and the Philippine Chamber was going to make presentation on another subject. As it turned out, the Singapore Chamber was the chamber in the region that had been most hit by Sections 806 and 807, because that was where all of the executives were located who were paying taxes to Uncle Sam for their earnings off-shore. The Philippines were most concerned with the foreign corrupt practices act, because they worked in the most corrupt country in the region and the legislation would have very serious consequences for them. So, as our misfortune would have it, these two delegations made very presentations on foreign corrupt practices and Sections 806 and 807. Of course, as the presentations continued, Oakley and I were progressively shrinking toward the back of the room looking for the door.

The other thing that was so compelling was that, not only in the Philippines, but in subsequent stops as well it was the foreign government officials and foreign businessmen, not the Americans, who made the strongest presentation. They said that they didn't understand why we imposed restrictions which made it so difficult to do business with American companies.

We didn't know what was going to come of this Philippine episode. We didn't get any immediate repercussion from Bentsen and Oakley and I prepared a good speech for him for the U.S. Chamber in Hong Kong, which is by far the biggest chamber in the region. He got up on the podium and rather ostentatiously picked his script up off the podium, threw it back over his shoulder, off the podium and said: "I'm going to talk to you today about two things: foreign corrupt practices act and sections 806 and 807." That absolutely blew my mind. Not only did Bentsen address the issue, but he went into a detailed 15 minute exposition of exactly what he was going to do about Sections 806 and 807 when he got home. And, indeed he did. He followed up on it when he got back. So, we didn't feel quite so badly and the chambers obviously felt very good about it. It was a very interesting and a very rewarding trip. To put it in to context, we as Departmental representatives took absolutely no position on any of the issues; I knew what stance the Department would take on the issues which would not have been very helpful. So, the trip decidedly severed our

Library of Congress

purposes. It was exactly the outcome that I had hoped for. We thought that if the Senator and his staff heard these stories time after time after time from different governments and different private businessmen, they might understand the problems that the legislation presented. If we had presented those views as representatives of the government it might have been seen as gross insubordination. The trip allowed us to bypass every agency of the U.S. government and to go right to the Hill to lobby for changes in the legislation, but without actually doing it.

Q: Richard Holbrook did not get in your way?

HEGINBOTHAM: No, not at all. Obviously he knew everything I was doing, but I don't remember that we even had a very serious discussion about it. In effect, he was up on the Hill making his case all the time anyway. The trip was definitely one of the highlights of my career.

Q: In 1982, you became the Director General of the Foreign Commercial Service. How did this come about and could you talk about the state of the Foreign Commercial Service at that point?

HEGINBOTHAM: It all came about in a most ironic way. While I was in the East Asia Bureau as DAS, the Department fought, as it had for many years, against having the commercial function taken away from it and given to the Commerce Department. Someone at senior levels decided that commerce was not really a foreign policy function and that the Department should exercise the better part of valor and give the commercial function up to the Commerce Department. I couldn't believe it. I tried from my middle management level position to exert whatever counter influence I could to try and persuade the powers-to-be that this decision was a terribly foolish mistake from the Department's point of view, because that meant that roughly half of the positions in the economic cone which constituted an opportunity for Foreign Service officers, would be lost. I was never in my early years a great fan of the commercial function, because I found myself doing

Library of Congress

some awfully useless stuff and, as I mentioned earlier, found myself going to countries where American business was far more knowledgeable about the local situation than I or the embassy. The question was always how we help American business. As I said, I was no great lover of the commercial function, but I also thought at the same time that the commercial function gave great insight into what was going on in the country and provided embassy officer with good connections as well as an opportunity to work with American business. All those advantages were a plus for the commercial service and the embassy as a whole. At that time, it was a great preoccupation of the United States to overcome our balance of payments deficit, so that trade and investment really had a rather high national priority. For the Department to agree to the transfer of the function, I thought, was the death knell of the economic function and of the Department's ability to influence economic policy, because we wouldn't have the breath of officers and the needed interest. I thought that this would also cause a diminishing of the importance and effectiveness of the economic function, because in quite a number of posts they the commercial and economic functions were inseparable. They were integrated and you couldn't do one without doing the other. Furthermore, one couldn't understand the economy of the country without knowing what was going on on the commercial side. So, I was just vigorously opposed to transferring the commercial function to the Commerce Department. In retrospect that I must have been one of the leading, if not the leading, opponent of giving up that function. But the die was cast and there was no recourse.

Q: Did you ever identify where the decision was made?

HEGINBOTHAM: I don't remember that there were any memoranda opportunities to really address the issue.

Q: I think it was around this same time that a proposal was put forward to take the visa function away from the Department of State and hand it over to the Immigration Service . Somebody was trying to give away a store about that time. The proposal finally died.

Library of Congress

HEGINBOTHAM: Interesting I can only assume that the decision would come from the secretary's level, because it was such a crucial decision in regard to the Service. The Director General of the Foreign Service at that time was Harry Barnes. As soon as the die was cast, he started trying to persuade me to take the job. I told him that I thought this is insane. I was the most vocal opponent of the move, so I just had absolutely no interest in aiding and abetting that process. But Harry kept after me for quite a few months. I honestly cannot reconstruct what stroke of madness came over me and at some point I finally decided that perhaps I can do something useful in trying to make the best of a bad thing. It was a decision that I deeply regret to this day. It was a very stupid decision for me to agree to do it. Anyway I did and became the State candidate in competition with a Commerce Department candidate. Bob Hersefelt was the Under Secretary of Commerce at that time. Malcolm Baldrige was the secretary.

It was not at all clear that the State's candidate would win; I don't know what the selection politics of that was, but next thing I knew I had been selected for the job and I was greeted all around the building with congratulations. The message that I was getting was that nobody in State thought it was a job that could be done.

Q: How about over at the Department of Commerce?

HEGINBOTHAM: I was not obviously completely trusted. That was one of reasons for a very unpleasant transition, but there were others as well. First of all, anyone going over from the State Department was bound to be considered as a mole and an enemy by the Commerce Department folks. From the State Department's viewpoint I have no idea what the sentiment was, but probably many people considered that I was a traitor; later they had reason to have that belief reinforced. But, I had the misguided notion that there was some possibility that it was better to have a relatively closely integrated commercial structure than to have one that was really at odds with those who really did not clearly have the interest of the integrated Foreign Service in mind. The Foreign Service of the Commerce Department was set up with the same authorities as the regular U.S. Foreign Service. So,

Library of Congress

we had all of the personnel and other desiderata that would go in to running a personnel structure and tours overseas and the whole bit. A super structure which was largely alien to the Commerce Department was grafted on to that.

Q: The Commerce Department has and continues to have a reputation of being the most political of all of the departments. It also has the reputation of what are you going to do with good old George who's the friend of Congressman so and so and its the place where you bury people. I mean that's the reputation that it has. And, this is not a Foreign Service perspective, but this is a Washington perspective.

HEGINBOTHAM: I think that I would have said that that perception of Commerce as the most political department in Washington is badly off base, because I've found nothing there remotely to match the Labor Department in its internal politics.

Q: When I was saying political, I was really thinking for political appointees. The Labor Department probably has real issues. I'm just thinking of a dumping ground for the patronage.

HEGINBOTHAM: At the time I moved to the Commerce Department, the International Trade Administration had had reputedly 13 re-organizations in the past 12 years. The average life of an assistant secretary—I guess at that point they were DAS's—, was less than one year. They were all political appointees. The Administration was notorious. The mentality and the motivational environment couldn't have been more opposite than that found in State, because people there tended to create sinecures and empires and fiefdoms and build their walls as high around them as they could in attempt to capture as many other little fiefdoms as they could and then reorganize. The deputy assistant secretaries who came in felt it was their task to reorganize in order to leave some evidence of their stewardship. That was self defeating, because their reorganization was immediately reorganized. It was a very bizarre environment. In the State Department you made your reputation by what you got done in a period of time; it was a “can do” attitude.

Library of Congress

There was the little problem of what is the Commerce Department was going to do with its new responsibilities. The Congress had decreed that there should be a certain pool of funds to finance the new Foreign Commercial Service; the Commerce Department agreed to allocate those funds to the Foreign Commercial Service, but the Office of Management and Budget decreed that the Commerce Department was welcome to allocate funds for the Foreign Commercial Service, but that it would have find them in existing Commerce Department budget There were no supplemental funds to be obtained through OMB. This immediately pitted the new Foreign Commercial Service against other Commerce programs; the closer the function was to the work of the Foreign Commercial Service the more vulnerable it was to having funds taken away. Since there was no existing staff, Commerce chose an office which had no discernable reasonable function and took the personnel from that office and created that staff of the Foreign Commercial Service.

Q: Obviously, your best personnel.

HEGINBOTHAM: Obviously, the best possible set of personnel! Hand picked for the function! This process was started before I reported for duty, I guess partly because of my reluctance to accept the assignment which took up several months. Commerce had chosen an acting director, a guy named Jack Golden who was an old street fighter in the personnel business. I think he had been the director of personnel somewhere and that was probably how he wound up taking that function over. He was a mean, tough customer and came on with all of the charm and appearance of wanting to be very collaborative and cooperative to "get this job done." I had above me two people I couldn't have been more pleased to work with. I had Bob Hersteen who was the under secretary for International Trade Administration who was very fine; and the deputy under secretary. He also was a really nice guy. Both of them had come from the civil service. There was Herta Sideman who recently died and she was one of the people I had to work for. She was the deputy assistant secretary for trade development or something to that effect. She was responsible for trade promotion. I came in to an environment where somebody else had already been

Library of Congress

cooking the cake; I knew nothing about the organization - i.e. the immediate staff - I did soon realize that everybody in Commerce was an enemy because of the funding situation. I met regularly for several hours each week with Bob Hersteen and he was very supportive and we got a personnel system worked out. One of the key issues that was raised with me by Harry Barnes was that with the transfer of the commercial function from the State Department to the Commerce Department, there were going to be a surplus of Foreign Service officers from the economic cone. I was urged to hire as many as these now excess Foreign Service officers as I could. So, we concentrated immediately on setting up an assessment process for hiring people for the Foreign Commercial Service. This was a really killing proposition. I was to invite applications from the State Department officers who wanted to take their chances with Commerce; given the reputation of the Commerce Department, it took a fairly courageous officer to be willing to throw his or her lot with an organization like the Commerce Department. Nevertheless, the idea was that I would try and hire as many of Foreign Service people as I could.

I told Barnes that I would take this job for only two years - no more, no less. I absolutely did not want the job for any more than that. I wanted to do what I could for two years to get the thing off to a good start. I was assured that after those two years, I could come back to the State Department. I didn't have to resign from the State Department, but I felt that it would not be a good symbol or an evidence of good faith if I retained my State Department appointment. Therefore, I chose to resign from the State Department's Foreign Service while remaining a member of the broader Foreign Service and the director general of the Foreign Commercial Service. That was done in part to encourage other Foreign Service officers to believe that I had burned my bridges and therefore could be trusted to do my best to look after them. But, by the same token, I felt it would have been unethical and improper for me to give any special preference to State's Foreign Service officers. So, we set up a selection procedure, developed by a contractor which was very similar to that used by the State Department at that time. They had gone into an assessment center type of personnel selection process. We devised our own selection criteria with

Library of Congress

the commercial function in mind obviously. This was a very much trickier process than that of the State Department, because State Department was hiring new recruits. I had to fill a lot of positions at the mid and senior career level. This meant trying to go out and recruit people from the private sector with substantial commercial experience, because it seemed highly unlikely that I could fill every position from the Foreign Service, which had not done a good job of motivating and energizing State Department officers to be good commercial officers. There were some superb commercial officers, but that was not typical of the Foreign Service. I felt that this selection process was a very, very dicey thing. We were in effect offering private sector people the glorious opportunity for an uncertain period and offering them at best half of what they were currently earning. If you look at somebody who is going to apply for a career change at mid-career, you have to wonder what the reason is; that was even truer at senior levels. On the other hand, at senior level you could find some people who had really reached the top and wanted to do something different or maybe just wanted to have public service career. So, the senior levels was less a concern for me than the mid-career. I always wondered what on earth kind of people I was going to get.

Q: Even in the State's Foreign Service I would think you would find people who might feel their careers were in jeopardy and who might feel that maybe a transfer to another department was a way to redeem oneself. I wouldn't think you would be recruiting top drawer Foreign Service officers.

HEGINBOTHAM: Maybe yes and maybe no. The other side of that argument was that you had the evaluations of these officers by the Foreign Service personnel system, whereas for with recruits from the outside the government you didn't have access to that kind of evaluation. We were protected to some degree by the ability to review the State files.

Q: *You could look at the personnel files?*

Library of Congress

HEGINBOTHAM: Yes. That was the offset. I din' think we got the best but we did get some people from the outside who stayed and proved to be quite good. We also got a couple of real lemons. At the senior ranks we got some very good people. We got a couple of excellent first rate people from the Commerce Department; so it wasn't too bad. Just as a very crude guess, I would guess that we had at best 50 percent outside hires. I don't think we began to satisfy's Harry Barnes' desires to take on all the FSOs who were interested because we were very tough. We gave no advantage to Foreign Service personnel by virtue of their Foreign Service status. The only advantage I can think of that they had a track record through the Foreign Service personnel ratings and therefore you could make decisions with a little more greater degree of confidence. You tended to weigh the question marks perhaps a little more heavily, but we had panels that drew on a variety of backgrounds; so I think it was a very fair and a relatively good selection process working against very high odds. .

Another problem was that being an Asian expert, I developed a certain bias that the State Department had an undue number of commercial officers in Europe where American business was fighting for market share against well established competitors; this was not a new market unlike Asia fro example where we had pathetically few commercial positions. I tried to do several things in personnel terms from the outset. One of the first and most heinous Foreign Service cardinal rules that I changed right away was to completely eliminate any limitation on time in a single country. Time and country were not to be considered as a personnel assignment factor. Performance was what mattered and I didn't care if somebody stayed at the same post for 30 years, if they were doing a top rate job. For example, I had in mind one particular officer named Herb Cockran, who would have liked to stay in Japan. I never knew Herb before this process began, but it just seemed to make good sense to capitalize on Herb and George Mu and some others of the really first rate people we had in Japan. The disadvantages of not having historic perspective were just so monumental. Japan was the obvious place for longer tours and so I made it clear right up front that if an officer desired and was doing a good job, he

Library of Congress

could have an entire career in an individual country if he so chose. Herb after awhile got tired and wanted to go to Southeast Asia; that was no problem. I also wanted to reel in positions very quickly and get as many shifted out of Europe and into Asia where I thought the U.S. government could be of the most value in helping American investors and traders. I don't think there was any great disagreement with moving personnel from Europe. But, it was difficult to do because we encountered resistance from in the receiving embassies. As the State Department narrowed its concept to what its foreign policy responsibilities were, other agencies broadened their concept of their domestic policy realm by including some overseas functions, leaving more and more of the State Department to be an administration agent. State officers overseas became administrative officers in support of other agency activities. As a way to resist the growth of non-State agencies, certain ambassadors just dug in and absolutely refused to accept any new personnel positions for their embassies. Japan was a good case in point. Every agency wanted to have people in Japan because it was central to Asia and the living was quite comfortable. So, we ran into a lot of opposition when we tried to beef up the commercial service in Japan. China was a somewhat different situation, but in general we had difficulties increasing the commercial representation in our embassies in Asia, where the U.S. government already had large aid missions and large military assistance missions. That embassy resistance to adding commercial officers was an ironic problem which made it very difficult to match personnel with program needs.

We set up a series of meetings of regional commercial officer meetings on an annual basis. Among the benefits of such meetings was that they allowed me to get around and get in touch with what was going on in the regions.

Another serious problem was that we had only two positions at the level of embassy ministers in the entire world despite the fact that we were the largest and most important trading nation in the world. We had one in Japan if I'm not mistaken and we had one in England or something like that.

Library of Congress

Q: Are we talking about one rank down from minister counselor?

HEGINBOTHAM: We had an economic minister in Japan and then there was counselor for commercial affairs who was definitely subordinate to the economic minister. Of all places in the world that made the least sense in Japan; at the same time the State Department was going to die before it was going to give up a single ministerial position to another agency. We finally had to go to the Congress and at that point I was looked upon as a traitor by the State Department and the Foreign Service. I was held in great contempt by those who felt that I was sold out to the "enemy."

Q: People when they use your name will spit on the ground in the corner of the State Department.

HEGINBOTHAM: I guess so. I had never had any direct insult, but could readily imagine what the scuttle-butt in the other building was. But that was a fight that we had to fight; sometimes we had to fake it.

Q: When you say you went to Congress what do you mean?

HEGINBOTHAM: We literally proposed an amendment to the Foreign Service Act to establish, I think, five commercial minister positions in the world. That was the only way that it was going to get done. I think that finally we got the position in Tokyo. The new legislation was finally implemented after I left. It took a while. The amount of time that was spent on personnel structure in hiring and the assessment process was just horrific particularly at first.

Q: You said you were well supported within Commerce by the upper echelons interested in the international trade area. Did you get any feel for the rest of Commerce? It has always had a bad reputation. I got that from the first day in my A- 100 course when somebody from Commerce Department put us to sleep lecturing us. That may be well unfair, but I was wondering if were getting vibes from other parts of Commerce who might have viewed

Library of Congress

you and your people as a sort of a elite corps within this rather third rate organization. I would think this would not sit well.

HEGINBOTHAM: Yes. The new assistant secretaries, such as Herta Sideman and Ray Waldman, but particularly Herta, were very unhappy with this alien structure that was grafted on and didn't really take. I am a very collaborative sort of person, so I went to work right away to try to build up both the assignments panels and the personnel panels that incorporated as many people from around the Commerce Department. We had wonderful working relationships with some parts of the Department, particularly at the DAS level and then there were some people who viewed us with suspicion right from the very beginning. The greatest problems, I think, were with the people who ran the domestic commercial services, who viewed our status as a real down-grading of their function. There was the problem with the domestic commercial services; there were 34 different Commerce Department field offices around the United States with widely varying reputations for quality - some below contempt and others considered excellent. I thought that it didn't make sense for Foreign Service officers not knowing their domestic constituency. At the same time, it didn't make sense to me that people who were advising on how to do business abroad had never been abroad. It made obvious sense to try over time to integrate these two services and put them both under the Foreign Service Act. Eventually that was achieved, but it clearly was not going to be possible to have that happen right away, because of the quality differentials. A few of them, as I recall, applied for the Foreign Commercial Service. We took a few of those people, but what to do with majority and with the sensitivity of their leadership, which was particularly deeply entrenched, was very difficult. I began to build the overseas structure with these regional commercial meetings which I mentioned earlier. I did have good support during the first year from Hersteen and some others. I had some really superb working relationships, as I say, particularly the DAS and office level.

I had a few vacancies in the office and I was able to bring in a couple Foreign Service types who knew what it was like serving overseas. I can't reconstruct exactly when this

Library of Congress

took place, but half way through my two years, Hersteen and the deputy under secretary had moved on and Lionel Omar was selected as the successor. I only was able to see Lionel Omar twice during that entire period. He abolished the position of deputy under secretary, which I felt immediately was a very dumb mistake, because the incumbent was very, very good and was doing a lot of excellent work in keeping the various parts of the organization working with each other constructively. I lost all recourse to anyone of higher status; furthermore, very early in his tenure, I got the drift from Lionel that he considered me the enemy and that he wanted nothing to do with me. As I said, I was unable to get any appointments with him. Rather foolishly I had not developed a Hill constituency. I played by the rules and had not tried to develop Congressional support. I had been up to the Hill a number of times and found that after they had transferred the commercial function they were not the least bit interested in the fact that the Commerce Department did not have any new resources to pay for this new function. I had not positioned myself, I had not tried to develop a good Congressional base.

Before I joined Commerce, I went with Secretary Juanita Kreps on a trip to China. She had been a business school professor. She was one of the few female who ever became Commerce Department secretaries. We traveled together to China and met with Deng Xiao Ping and did some of the earliest work with the Chinese on getting business into a working relationship with the Chinese on their economic reform efforts. Phil Klutznick was another member of the party. Once I joined Commerce, I met with Baldrige. He was always very friendly, but didn't get involved in the politics of our status.

There are some other parts of the story that I should tell. My attempt to develop a real serious business constituency - my attempt to develop Foreign Agricultural Service type cooperator program with industry - did not meet my expectations, in part because there were three efforts made to seize control of the Foreign Commercial Service that were launched simultaneously against me from three different part of the Commerce

Library of Congress

Department while I was on one of my overseas trips. There also was a betrayal by one of my own Foreign Service Officers. It got very ugly.

Let me just briefly return to the question of relationships. I have already mentioned the change in relationships once Bob Hearstfelt was replaced as under secretary of Commerce for International Trade Administration and the position of deputy under secretary was abolished. I had weekly, if not more often, with that deputy. To this day I don't know who got to Lionel Omer, but probably someone who was eager to seize control of the Foreign Commercial Service or who was opposed to the way it was being run. Apparently, that someone persuaded Lionel that there was no point in talking to me and that I should just be in effect being frozen out. So I was thoroughly frozen out during that period. I was given no opportunity to see Lionel. I was in the process of trying to select a deputy and had had that process underway for quite some time and had selected a superb officer with long experience. He really an excellent track record. It was very important to me that that deputy position be filled by the most senior Foreign Commercial Service officer, because there was little enough career progression possibility in the system as it was. Lionel chose to overrule me and over my protest brought in a political appointment from Texas— a young boy wonder who had made a lot of money in Texas which is probably not that hard to do, but who had no foreign experience to speak of. He was a brash, self confident guy with just had absolutely no sensitivity for the issues that it took to run the Foreign Commercial Services. His name was Ken George. It turned out, of course, that he was the one who had access to Lionel Omar, which didn't make life any easier for me. That was the problem. I had mentioned previously that once the Congress had exercised its will and transferred the Foreign Commercial Service, I was unable to find anyone on the Hill who really had a serious interest in the Service or any sort abiding connections with it. So, I had no opening on the Hill and certainly no one on the Hill ever expressed any interest to me about the Foreign Commercial Service. I had multiple opportunities to testify before Congressional committees, but they all had to do with specific. I took an active lead in trying to get legislation passed for the establishment

Library of Congress

of a trading company so that we had something more akin to the Japanese Trading companies to work with instead of just a hodge-podge of American companies with no overseas experience. As I said, I did testify. I can't begin to remember how many different things I testified on, but never once did I have the opportunity to testify on how the Foreign Commercial Service was running or whether it needed support or assistance or whether it was doing alright. That was just not an issue or interest.

I was trying to build a constituency in other ways, but I was never able to find any political constituency. I had mentioned that I am a participatory manager and I had a very strong conviction that it was important for the troops to feel part of this whole operation. So we developed a plan with contributions from the field as to what our major priorities and plans should be. That was implemented by a series of regional meetings with commercial officers which allowed me to get around and see everybody; to find out what their problems were, and to see how our general plans meshed with their specific needs.

I had mentioned earlier that I had been given this sort of cast-off office with no function that was to be my staff support. I had a number of Foreign Service officers who joined in. Mike McCurio came in, Dave Ross, and another fellow who will remain nameless, who came in and they became part of my staff. I was able to get a few positions to give me some staff support from people who knew about the overseas side of things. The officer, whom I did not name, was a fairly critical guy on the personnel side. While I was on one of my trips I got a call, I think it was from David Ross, to tell me that three different organizations were out to make sure that they got control of the Foreign Commercial Service so that I would not have any reporting rights to the under secretary's office. I think this all happened during Omar's tenure, because I don't think anyone thought that they would get Hersteen to approve what they were proposing. The weirdest part of this affair was that the Inspector General of the Commerce Department decided that she wanted to put the Foreign Commercial Service under her direct mandate and scrutiny. That was

Library of Congress

not a serious coup attempt, but it was just so bizarre that that office which was to have a detached view and was supposed to be entirely non-functional.

Q: Do you think one of the attractions was the overseas opportunities?

HEGINBOTHAM: Probably that. It was seen at the time as a sexy new thing. It was the only new initiative had been assigned to the Commerce Department in many years. In the case of the other two claimants, it was clearly control.

I had mentioned that when I first moved over to the Commerce Department a lot of the organizational work had already been done by a guy named Jack Golden who had once been the director of personnel for the Commerce Department. I don't know whether he fell from grace or why he was replaced, but in any event, he was the principle one who was trying to seize control of the Foreign Commercial Service and to have me thrown out. The nameless Foreign Service officer, whom I now hate to a considerable extent, was a personal friend and a colleague, turned against me and collaborated with Golden to accomplish the coup. I generally forgive and forget, but that is one thing I have never been able to forgive, because it was an institutional betrayal, as well as a personal betrayal.

The third person who tried to cease control of the Foreign Commercial Service is now gone to her reward, Herta Sideman. She was the assistant secretary for Trade Development. She had at least some sort of an institutional claim, but it would have downgraded the status of the Foreign Commercial Service which was in effect the co-equal of the assistant secretary, although I never had the rank; only my successor got the rank. So, I had the title of director general, which in the Commerce hierarchy didn't mean anything. It did mean something as long as Bob Hersteen was there. It meant that I reported directly to the under secretary's office. I did have access to the secretary on various occasions. Somehow we were able to maintain control and reporting relationship. I really don't remember the gory details, but needless to say, I truncated my trip and came back to Washington to try and man the ramparts and find out what was going on.

Library of Congress

Q: How does one man the ramparts? What do you do?

HEGINBOTHAM: To be honest with you, I don't remember. We were really alone. I mean State would not have helped. I didn't want to call on State; it would have been fatal to call on State for support. I had tried to build good relationships throughout the Commerce Department and I think I had succeeded reasonably well; so it was it was a matter of getting in touch with people to ask for their support. You know, in Herta's case, it was just a pretty blatant power grab and I think I was able to do a line other assistant secretaries to oppose that. People had been consulted; I was participatory, so I don't think anyone felt that they were being left out if I continued in my battle.

Q: What happened to the unnamed Foreign Service Officer? Did he/shremain?

HEGINBOTHAM: He left the service. I didn't fire him at the time, but he did not survive the Foreign Service. I think he maybe had one overseas assignment. We got him out of there the best I can remember. We put him some place where he could do less harm.

I did feel isolated with little interest and or support from most people. I tried to build up constituencies and I worked with the U.S. Chamber of Commerce where I had established very strong relationship when I was a deputy assistant secretary of State. I mentioned previously that between the Chamber and ourselves we had arranged this trip to Asia that Lloyd Bentsen and his colleagues had taken; so my credibility with the Chamber was very high. We tried to build on that relationship and with a number of businesses and develop an interest group that would support the Foreign Commercial Service. We kept them apprized of policy changes. But, in all honesty it was hard to find a group that was really that interested in our problems. There was an interest; the most interested business groups were not the organizations here in the United States, they were the chambers abroad. We had very strong support from the chambers abroad, but that didn't help me in Washington very much. Especially with the Asian Pacific chapters of the Chamber of Commerce, to this day, you can go around and find people who will talk about the Bentsen

Library of Congress

trip. That was just a very big success from the Chamber's view point. It was the first time that a Congressional committee had ever come out specifically to hear their view points on their issues. I was disappointed that I wasn't able to capitalize on that relationship to mount some business interest or sustain support even through the Chamber. We tried other groups, but without much luck. Now somewhere along the line I had long been very attracted to the tremendous success that the Agriculture. Department has had with its cooperator system.

Q: Would you explain that?

HEGINBOTHAM: I will be happy to explain that. The Foreign Agricultural Service has a cooperator program. Basically what they do is to try to build a series of industry or sector relationships in the agricultural sector that would support and abet and cooperate with what they Service did overseas, whether it was in marketing plans or in exhibits or exhibitions overseas, etc. That Service's experience was very instructive; I found exact parallels in the industry sectors. The Agriculture Service found initially that all of the farm groups to which they wanted to relate were so domestically oriented and focused that it was almost impossible to find anyone of like-mind who would be interested in developing an international interest or expertise. So, they created a whole series of associations which would have the international focus. They developed a cooperator program, which had its own budget with matching contributions from the Department and the cooperators. In some cases for example, they had a check-off which meant that they did literally took a penny a bushel off of their produce and contribute it to a cooperating program or something along those lines. It was just, I felt, an extremely powerful and effective mechanism for building constituencies.

Q: What was in it for the constituencies?

HEGINBOTHAM: They got in on the planning on programs which represent their interest - the trade promotion aspect of it; the exhibits; the special programs that might mean travel

Library of Congress

and exchanges. I extended even to determining research budgets that would help in their marketing. Market research was a rather important feature of the cooperator program. I found that the identical problem pertained to trade associations in Washington which dealt with major exports; they also were driven predominantly by domestic considerations. Rarely could you find anybody who really had much of an international interest. What I then tried to do was to get around to generate support for an industrial cooperator legislation. I spent considerable time getting this legislation drawn up and supported by Congress. We got it all the way up to committee before I went on to other things; it was eventually passed in a somewhat muted form. But, in any event I was trying very hard to work in that direction all the time I was at the Foreign Commercial Service.

Q: Did you find within the Department of Commerce some unease in developing other organizations which might become supporters of the Foreign Commercial Service? It seemed as if were trying to develop new power centers and this always gets dicey.

HEGINBOTHAM: It could have been, but in all honesty we didn't get to the point of literally trying to organize these groups. What we needed first was the legislation to enable us to do that and I found that even two years on the job was not enough to get it passed. I felt then and feel to this day that for the Commercial Service ever to develop a serious constituency requires that kind of bit of a structure, because the existing trade associations, while some of them appear to have an interest in trade, just don't really seem to able to muster their energies in that direction. They're not a good constituency

Q: This is always the problem. When push comes to shove the United States is such a big market or they have such easy ties to Germany or England or something that they don't really think about the rest of the world. There really isn't much interest in further development, unless maybe they have a little extra surplus or something.

HEGINBOTHAM: Yes, but actually they were driven to that latter point of view, because since we had no effective programs of adequate size to support them, the bigger

Library of Congress

businesses—the multi nationals— always had to look for export financing or other resources by building consortia or allying strategically with Germans or French or Brits or Canadians. Even the Australians provide programs much better than ours.

Q: How did you find the Department of State as an institution in Washington and its Foreign Service branches overseas worked with the Commercial Services? A little bit dog in the manager?

HEGINBOTHAM: It varied. I couldn't give an across-the-border assessment of that, because it varied so widely from place to place. I think we had the greatest problems in large posts where you had an economic minister or a minister counselor for economic affairs. As I mentioned previously, we felt that rationally we should have had equal status at the ministerial level in order to be effective. Our foreign counterparts were all at the ministerial level and it was ludicrous for us to try to promote trade when our people were one rank below. We didn't have access to the more senior people in other governments. We could not show that our commercial efforts had been given any higher priority. That was a key problem of a systemic nature.

Q: The State Department wasn't going to go to bat for you?

HEGINBOTHAM: Quite the contrary. They were vehemently opposed. I think we proposed four commercial minister positions: Tokyo, the U.K., and then I think we wanted Bonn and probably Paris. That bureaucratic fight got pretty ugly. There was no question of getting State's support for our proposals.

For other posts, the principle variable was the ambassador. There was an effort made when the Foreign Commercial Service was transferred to encourage ambassadors to give greater attention to trade matters. This was going to be one of the ways that the Department could show its support for the Foreign Commercial Service without having to give us anything administratively or in terms of the power structure. So, they did make an effort and I wouldn't be so cynical as to say that that was the only reason for it. I think

Library of Congress

there was a sincere effort by Harry Barnes and others to give real emphasis to the Foreign Commercial Service and to commercial promotion. State still had to provide some sort of credibility for the commercial function, because the agreement that transferred the function to the Commerce Department, I think established something like 35 posts around the world where positions were to be transferred to the Foreign Commercial Service. But, in all of the smaller markets, the commercial function was to be staffed by Foreign Service officers under the jurisdiction of the State Department. These posts accounted for a relatively trivial amount of trade and so it wasn't one of my pre-occupations with getting the program up and running. This need to show some credibility meant that State had to show pretty broad support. At the same time, there were ambitious aggressive officers who weren't about to cede any power to the Commercial Service and saw no connection between the economic and commercial functions. A lot depended on how closely the two had worked together before. There were a lot of variables. Some economic-commercial sections had already been integrated and the staff was operating closely; in others they had always been kept separate. There was usually a political factor in that. But, by and large, this was not one of the major problems I had. There were a few places where we had to go to bat for the Commercial Service, but I don't remember that as something we spent a whole lot of time on. I think it worked out pretty well.

Q: Well, that doesn't sound like the happiest of times after having been bull-dogged in to the job. How long was it for?

HEGINBOTHAM: I told Harry I would take the job for no more than two years. Then, as I mentioned I resigned from the State Department Foreign Service to achieve some degree of credibility. I honestly understood that when I left the Commerce job, I would be able to come back to State, but I don't know whether I was brain-dead or whether I was burned out or what; by that time came, Harry had been replaced by Joan Clark, whom I didn't know. I had avoided at great cost building any sort of continuing liaison with State Department other than what was necessary at the personnel level, because that word would have gotten out quickly. So I had not only burned a bridge, but I had not really

Library of Congress

made efforts to build others. For reasons that I still don't understand, I really didn't make any effort to come back in to the State Department at that time when my two years in Commerce were up.

Q: So what did you do?

HEGINBOTHAM: I think at this point I was contacted by a friend and former colleague of mine, Paul Boeker who was setting up a little organization known as the International Reporting Information Systems, which was an off-shoot created by Tony Stout of the National Bureau to provide political risks, advice and assistance. The board of directors consisted of Robert McNamara and Harold Macmillan and a very well known Japanese internationalist and several others luminaries. So, I was the director for Asia and there were others, and we put together quite a good, I thought, commercial support package for American companies. But, unfortunately the organization didn't have a marketing skills or experience It was having trouble defining itself for marketing purposes, even though I don't think Asia had any problem defining itself. So, the organization went on for about a year before it went bust.

Q: Just for the record, you left the Commercial Service in 1982. Give us some thumbnail views about life after the Foreign Service and those aspects that dealt with foreign affairs.

HEGINBOTHAM: When I came into the Service I had a very low lot opinion commercial function; I didn't see any future in it; I didn't see any interest in it; it seemed very pedestrian; not very interesting. By the twist and cruelties of fate, my final governmental position was to try and make something of the commercial function. By this time, from a rational view point, the United States balance or payments problems had become major problems and so had the problem of U.S. industrial competitiveness as well as the problems of making something of our export program which had really become very important. I think I mentioned earlier that while deputy assistant secretary, I found that the State Department was essentially emasculated by the dual demon of budget deficits

Library of Congress

and balance of payments deficits, which gave all power to the Office of Management and Budget and the Treasury Department. Even the major accomplishments we had achieved were undone by those organizations which said, "Well, sorry we don't have the resources, don't have the money, can't agree to it after the fact." So, my punishment, if you will - the eventual movement to the Foreign Commercial Service - was not without ironies, but also not without reason. Then, as I started to mention, a friend of mine, Paul Boeker, invited me to join IRIS, which seemed like a really interesting opportunity to do on the private sector side what we had been doing on the commercial side. At this point, the challenge of Japanese technology and the power-house system the Japanese had developed for commercial competition seemed unbeatable. One of the things I tried to build was an economic tracking service, whereby we would do competitor tracking for American companies and learn everything we could about what these Japanese companies were doing in technology and marketing and foreign investments and the whole works. But, as I said, it really didn't fly. As I said, IRIS lasted about a year and one day we were all called in and told to be out of our office by six p.m. and that was it. We had less than eight hours warning that the company was folding. There are all kinds of stories behind that, but the fact is that a Foreign Service connection got me my first post-Foreign Service job, which was very attractive; lots of perks, lots of nice arrangements. But, then all of a sudden I was out on the street. Nobody had trained me for looking for a job. I hadn't looked for a job since I passed the Foreign Service exam. So, I started phoning around and I called one of the people that I had known at the Office of Management and Budget him to see if there was anything interesting on the Hill and he said sure and asked me to come up to see him. He was eager to hire me. The following Monday I started working for the Senate Foreign Relations Committee. . This was Ed Sanders who was by then the executive staff director for the Foreign Relations Committee under Senator Percy. He was trying to build the same kind of emphasis on economic and commercial interests in the Senate that the House of Foreign Affairs Committee had. I had a great time working for the committee. It was very fascinating. I was on the international economic policy sub-committee and I worked on a number of matters. When I had been there about a month when Ed walked in and said:

Library of Congress

“You know, I really hate to tell you this, but I've just taken a job as president of a subsidiary of Harcourt Brace. It is affiliated with Sears World Trade.” He bailed out along with Carl Lu Shee, Tom Boyatt, and others, but he was much more successful and stayed on well after the Sears World Trade fell. Anyway, I was excited about the Sears World Trade, because it was the kind of activity that I had been lobbying for.

IRIS and the Hill were fascinating; if I ever get financially set up, I would dearly love to go back on the Hill. I loved the Hill, because it gave me a chance to innovate; you could identify areas and if the Senators were at all interested, they would encourage you to go on. As I said, I worked on several matters; we held a lot of hearings on trade and trade promotion and investment overseas. The Foreign Relations Committee didn't do a lot of initiating. But in fact I wound up working for Senator Breaux who was on Government Operations Committee; he was working a reorganization of the entire U.S. government economic structure, which was great. I think we came up with excellent plans; in my capacity as Senator Breaux' staffer I had a chance again to work with Malcolm Baldrige. We interviewed him several times and I think came up with a very good plan. Basically, Pete Peterson and the White House Council on International Economic Policy was the right approach, but what we mandated was that the vice president or the president had to chair the committee and that the secretary of the treasury had to attend, because what killed Pete Peterson's efforts was that the secretary of treasury didn't pay any attention to the Councils because he had his own power base. He just killed the effectiveness of CIEP. So, that was one of the key things we tried. So, that was fun, because it meant coming back at the foreign affairs establishment in a way that I could be useful in trying to reorganize it.

Then I worked on the cooperator legislation and on an export the war chest, which would have provided many more resources for export promotion. It was an excellent way to follow up on my Foreign Commercial Service experience in trying to get some of the things done which I knew were clearly needed when I was trying to run the Service with no resources. Percy was defeated unexpectedly and Matthias resigned and so on relatively

Library of Congress

short notice I was out on the street again. At this point I did a little consulting on my own. We did a project on the economics of defense cooperation with Asia. In the meantime I was invited to apply for the job of Director for industries at the U.S. International Trade Commission. Now that's not a sexy job with a lot of political stuff, but it appealed a great deal to me, because I was fascinated with the issues of U.S. industrial competitiveness. I would have had a professional staff of 120, so I could find out everything I wanted to know about U.S. industrial competitiveness and put out some good stuff. We cooperated with the Finance Committee of the Senate to do a write a series of reports on U.S. industrial competitiveness. From there I went then to IDA on a full time basis.

Q: IDA?

HEGINBOTHAM: Institute for Defense Analysis. That is a federally funded research and development institution that in effect is the think tank for the secretary of defense. The Air Force had Rand, The Navy had the Office of Naval Analysis; there are several other FFRDCs, but IDA was specifically to advise the Secretary. We did some extremely interesting work in defense policy and in the technology field. I won't go on into that, but any event, I was somehow able with good luck and good fortune to move to a series of other issues that were always of the highest intellectual interest to me at the moment. The interesting thing was that I never did a job search during all of that time. It was just using the telephone and getting a few leads. In one case, I was alerted by a former intern who worked for me to a job and an opportunity; so you never know where your job is going to come from. It always pays to be nice to interns as far as I'm concerned. I think that the Foreign Service trains you to change jobs and to change countries and to change environments. The other thing that it taught me more than anything else was to develop an idea for a project and to sell your project rather than trying to find a job. That is what I am doing now. For example, as of this moment, I am working indirectly through to the vice president's office on a project that would elevate U.S.-China agricultural relations to the strategic center piece of the U.S.-China relationship. I am working with former Ambassador Jim Lilley and others. Basically, this is all evolved from a simple

Library of Congress

concept paper that I passed out and that we're now beginning to raise funding for and institutionalizing it. So, as I said, I don't look for a job, but try to come up with an attractive concept and peddle it. That's how I got my job with the National Planning Association.

Q: This oral history program is my idea, and so that's what we are doing now.

HEGINBOTHAM: Great, terrific. The perfect example.

End of interview